

State Of Michigan

**THE GOVERNOR'S  
FY 2006-07  
BUDGET PROPOSAL**

**Review and Analysis**



prepared by the



Mitchell E. Bean, Director

March 2006

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March 2006

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Governor's FY 2006-07 Budget Proposal Review and Analysis***.

In this publication, the *Director's Overview* provides information on revenue sources proposed in the Executive Recommendation for FY 2006-07, including tobacco settlement funds. It also provides summary charts and tables of proposed budget funds and sources.

Budget summaries and analyses in this report were prepared for each department/agency by House Fiscal Agency analysts; the Consensus Revenue section was prepared by Agency economists.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need further information.

A handwritten signature in black ink that reads "Mitchell E. Bean".

Mitchell E. Bean, Director



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# GLOSSARY

## Frequently-Used State Budget Terms

### STATE BUDGET TERMS

**Gross Appropriations (Gross):** The total of all applicable appropriations (statutory spending authorizations) in a budget bill.

**Adjusted Gross Appropriations (Adjusted Gross):** The net amount of all gross appropriations after subtracting interdepartmental grants (IDGs) and intradepartmental transfers (IDTs).

**Lapses:** Appropriation amounts that are unspent/unobligated at the end of a fiscal year.. Appropriations are automatically terminated at the end of a fiscal year unless otherwise provided by law.

**Work Project:** A statutorily-authorized account which allows a spending authorization to be carried over from one fiscal year to a succeeding fiscal year or years—i.e., allows funds to be spent over a period of years.

### APPROPRIATION BILL TERMS

**Line Item:** Specific funding amount in an appropriation bill which establishes spending authorization for a particular program or function (may be for a single purpose or for multiple purposes).

**Boilerplate:** Specific language sections in an appropriation bill which direct, limit or restrict line item expenditures, express legislative intent, and/or require reports.

### REVENUE SOURCES

**General Fund/General Purpose (GF/GP):** Unrestricted General Fund revenue available to fund any activity accounted for in the General Fund; unused GF/GP revenue lapses to the General Fund at the end of a fiscal year.

**State Restricted (Restricted):** State revenue restricted by state law or outside restriction that is available only for specified purposes; at year-end, unused restricted revenue remains in the restricted fund.

**Federal Revenue:** Federal grant or matchable revenue dedicated to specific programs.

**Local Revenue:** Revenue from local units of government.

**Private Revenue:** Revenue from non-government entities: rents, royalties or interest payments, payments from hospitals or individuals, and gifts and bequests.

**Interdepartmental Grant (IDG):** Revenue or funds received by one state department from another state department (usually for a service provided by the receiving department).

**Intradepartmental Transfer (IDT):** Transfers or funds being provided from one appropriation unit to another in the same department.

### MAJOR STATE FUNDS

**Budget Stabilization Fund (BSF):** The countercyclical economic and budget stabilization fund; also known as the "rainy day" fund.

**School Aid Fund (SAF):** A restricted fund; the primary funding source for K-12 schools and Intermediate School Districts (ISDs).

**General Fund:** The General Fund (funded from taxes and other general revenue) is used to account for the ordinary operations of a governmental unit that are not accounted for in another fund.



# **FY 2006-07 Budget Detail**

## **DIRECTOR'S OVERVIEW**

**Overview**

**Resources Used in Executive Budget**

**Tobacco Settlement Funds**

**Proposed Funding Changes**

**Summary Information and Tables**

## **OVERVIEW**

# **FY 2006-07 Executive Recommendation DIRECTOR'S OVERVIEW**

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The FY 2006-07 Executive Budget Recommendation calls for \$41.9 billion in adjusted gross appropriations. This includes \$9.3 billion in General Fund/General Purpose (GF/GP), \$18.7 billion in restricted funds, and \$13.4 billion in federal funds. Of the \$27.9 billion of state resources available in FY 2006-07, \$16.0 billion (57.19% of the total) is designated for payments to local units of government and \$1.1 billion is designated for revenue sharing payments. (Article IX, Section 30 of Michigan's *Constitution* requires that at least 48.97% of spending from state resources must be paid to local government.)

The Executive recommendation is based on revenue enhancements of \$520.6 million. Proposed enhancements and savings assumed in the budget include increasing state resources \$111.2 million by eliminating tax expenditures and assuming \$227 million of revenue from proposals that require federal law changes or federal waivers. One-time revenue assumed in the budget includes land sales, fund shifts, and \$15 million from interest earnings assumed from tobacco settlement revenue securitization.

The Executive Recommendation includes a proposed regional Economic Development Initiative. The initiative would commit \$100 million from the sale of State Building Authority bonds for what is described as state and local partnerships whereby local governments and economic development organizations would submit potential projects to the state for approval. Projects are expected to create jobs and have a statewide economic impact. Only limited information about the proposal is available at this time; more detailed information is expected to be forthcoming.

In addition, the Executive Recommendation adds seven new categorical programs to the School Aid Budget and transfers funding from GF/GP to the School Aid Fund for seven existing categorical programs.

The Executive Recommendation for FY 2006-07 is based on consensus revenue estimates agreed to at the January 13, 2005, Consensus Revenue Estimating Conference. Consensus revenue estimates are discussed in detail in the Consensus Revenue section of this publication.

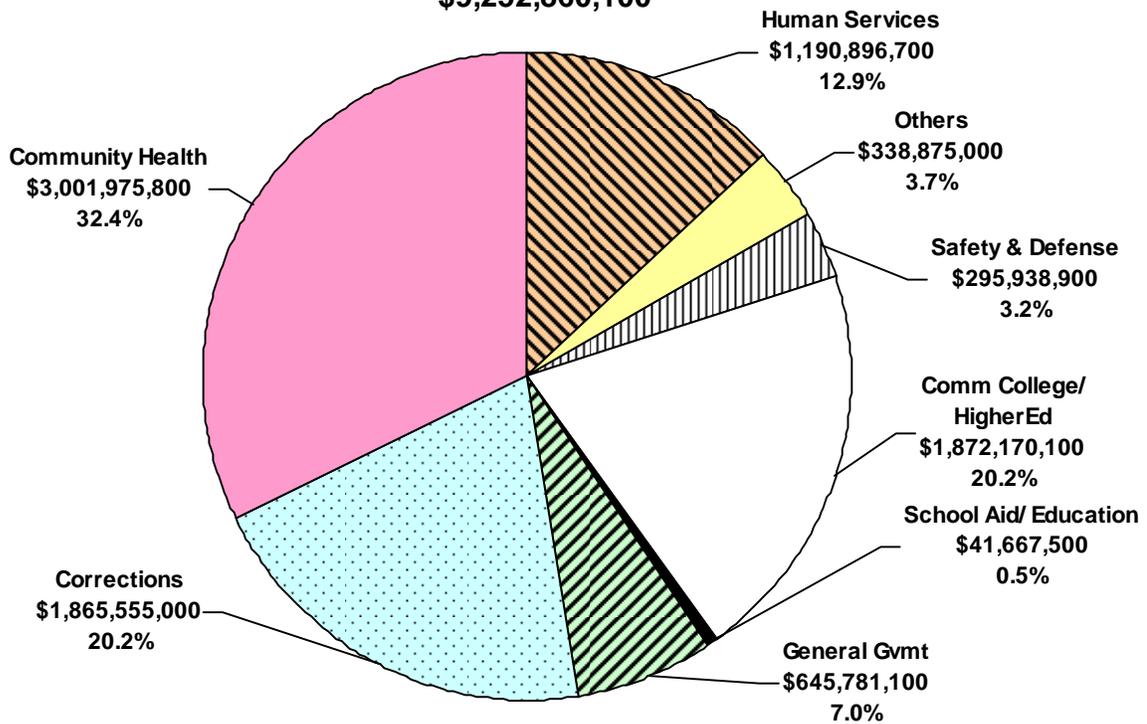
This Overview includes:

- Graphs of Executive Recommendation GF/GP and Adjusted Gross distribution by budget area.
- Review of resources used in the Executive Recommendation.
- Proposed appropriations from tobacco settlement funds.
- Review of Executive-proposed tax expenditures to be eliminated.
- Summary of the overall content of the budget (Tables 1 through 5).

Following the Overview, individual sections explain appropriations by department or major budget area. Each section includes a comparison of FY 2005-06 appropriations with the FY 2006-07 Executive Recommendation and an analysis and discussion of major budget and boilerplate issues.

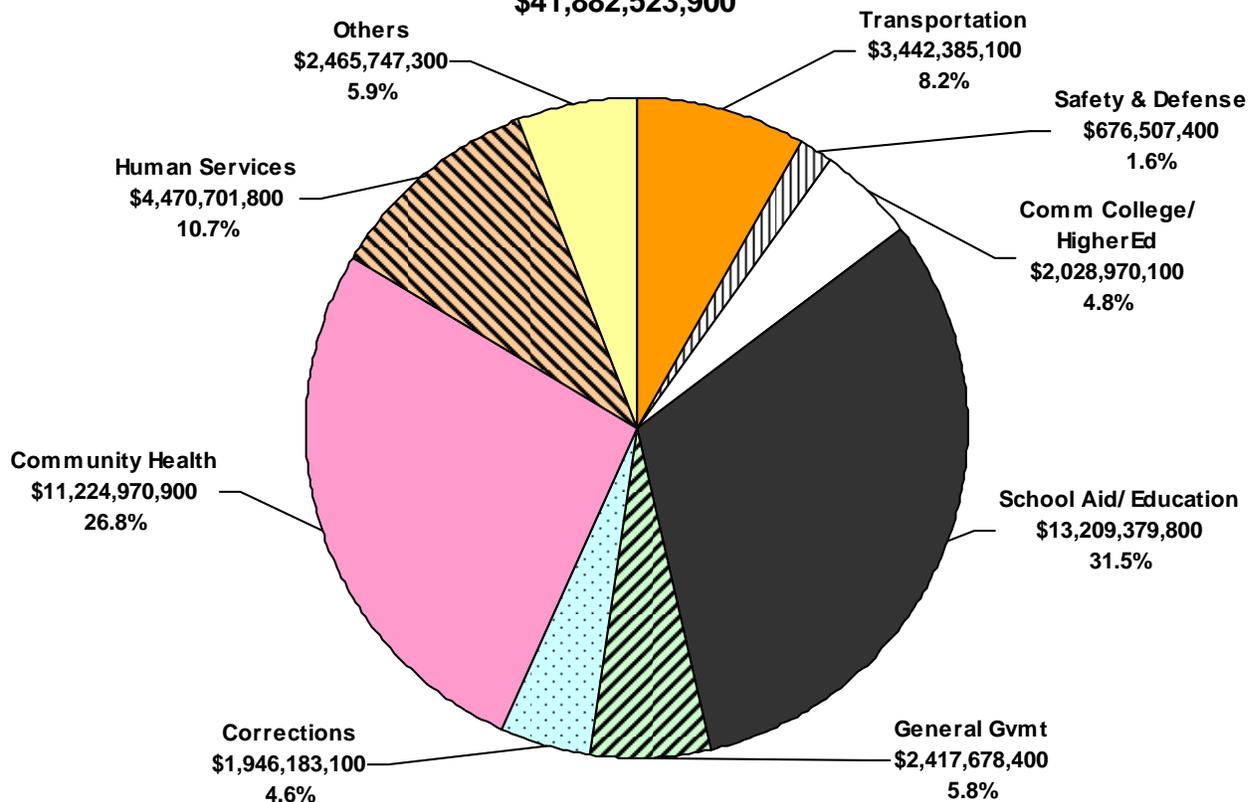
**FY 2006-07 GF/GP Executive Recommendation**

**\$9,252,860,100**



**FY 2006-07 Adjusted Gross Executive Recommendation**

**\$41,882,523,900**



**OVERVIEW**

**RESOURCES USED IN FY 2006-07 EXECUTIVE BUDGET RECOMMENDATION**

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Resources used to fund General Fund/General Purpose, School Aid Fund, Medicaid Benefits Trust Fund, and Merit Award Trust Fund expenditures in the Executive Budget Recommendation are reported below.

**FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES  
GENERAL FUND/GENERAL PURPOSE  
(Millions of Dollars)**

Beginning balance	\$79.8
FY 2006-07 consensus revenue estimate	\$8,377.2
Proposed elimination of tax expenditures	\$88.4
Proposed CVT revenue sharing freeze	\$402.2
County revenue sharing savings	\$198.0
Interest earnings from securitization	\$15.0
Proposed increase in liquor license fee	\$23.0
Proposed transfer of Financial Institutions Fund to GF	\$2.8
Proposed transfer of State Services Fee Fund to GF	\$6.0
Proposed land sales	\$28.0
Non-use of pharmaceutical credit	\$10.0
Proposal to deposit Agriculture Equine Industry Development Fund in GF/GP	\$2.0
Proposed use of SAF to reduce short term borrowing cost	\$22.8
<b>Total Resources</b>	<b>\$9,255.2</b>
<b>FY 2006-07 Executive Recommendation Expenditures</b>	<b><u>(\$9,252.9)</u></b>
<b>Ending Balance</b>	<b>\$2.3</b>

**Beginning Balance:** Beginning balance estimates assume that recommended FY 2005-06 supplemental (\$33.2 million GF) is enacted.

**FY 2006-07 Consensus Revenue Estimate:** Revenue estimates agreed to by the Consensus Conference in January 2006.

**Proposed Elimination of Tax Expenditures:** The Executive recommends that 15 tax subsidies be eliminated. See page 7 for details.

**Interest Earnings From Securitization:** Interest on bond proceeds.

**Proposed Increase in Liquor License Fee:** Proposed increase in the annual fees license holders pay would be used to allow a \$23.0 million lapse from the Liquor Purchase Fund to GF/GP.

**Proposed Transfer of Financial Institutions Fund to GF:** Transfer from estimated fund balance.

**Proposed Transfer of State Services Fee Fund to GF:** Transfer from estimated fund balance.

**Proposal to Deposit Agriculture Equine Industry Development Fund in GF/GP:** Redirects \$2.0 million from casino tax to GF/GP.

**Proposed Use of SAF to Reduce Short Term Borrowing Cost:** Would use additional SAF revenue from proposed tax expenditure elimination to replace a portion of GF cost for debt on short term notes.

**FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES  
SCHOOL AID FUND  
(Millions of Dollars)**

Beginning fund balance	\$80.2
<hr/>	<hr/>
FY 2006-07 consensus revenue estimate	\$11,591.1
<hr/>	<hr/>
Proposed elimination of tax expenditures	\$22.8
<hr/>	<hr/>
Proposed use SAF to reduce short term borrowing cost	(\$22.8)
<hr/>	<hr/>
Federal aid	\$1,412.7
<hr/>	<hr/>
General Fund transfer	<u>\$35.0</u>
<b>Total Resources</b>	<b>\$13,119.0</b>

**Beginning Balance:** Beginning balance estimates assume that recommended FY 2005-06 supplemental (\$41.5 million SAF) is enacted.

**FY 2006-07 Consensus Revenue Estimate:** Revenue estimates agreed to by the Consensus Conference in January 2006.

**Proposed Elimination of Tax Expenditures:** The Executive recommends that 15 tax subsidies be eliminated. See page 7 for details.

**Proposed Use of SAF to Reduce Short Term Borrowing Cost:** Executive recommendation proposes to use additional SAF revenue from proposed tax expenditure elimination to replace a portion of GF cost for debt on short term notes.

**Federal Aid:** Primarily federal grants and federal money appropriated by the federal Elementary and Secondary Education Act.

**FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES  
MEDICAID BENEFITS TRUST FUND  
(Millions of Dollars)**

Beginning balance	\$26.7
<hr/>	<hr/>
Estimated interest	\$4.1
<hr/>	<hr/>
Estimated deposit:	
Revenue from cigarette tax	\$352.9
<hr/>	<hr/>
Revenue from other tobacco products tax	<u>\$25.5</u>
<b>Available Funds</b>	<b>\$409.2</b>
<b>Withdrawal in FY 2006-07 Executive Recommendation</b>	<b><u>(\$409.2)</u></b>
<b>FY 2006-07 Total Ending Balance</b>	<b>\$0.0</b>

**FY 2006-07 EXECUTIVE RECOMMENDATION ESTIMATES  
TOBACCO SETTLEMENT REVENUE/EXPENDITURES  
(Millions of Dollars)**

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**MERIT AWARD TRUST FUND REVENUE**

Tobacco settlement revenue	\$283.6
Unreserved fund balance from prior year	\$6.2
Interest	<u>\$3.0</u>
<b>Revenue Subtotal</b>	<b>\$292.8</b>
Community Health: Medicaid base	(\$131.2)
Community Health: Nursing home personal needs allowance	(\$5.0)
Community Health: Aging – respite care	(\$5.0)
Education: MEAP administration/testing	\$0.0
Higher Education: University operations	(\$9.5)
Higher Education: Merit award	(\$127.7)
Higher Education: Tuition incentive program	(\$6.6)
Higher Education: Nursing scholarships	(\$4.0)
Attorney general administration	(\$0.4)
Treasury: Merit award/TIP administration	(\$2.4)
Treasury: Michigan education savings plan	<u>(\$1.0)</u>
<b>Expense Subtotal</b>	<b>(\$292.8)</b>
<b>Merit Award Trust Fund Balance</b>	<b>\$0.0</b>

**FY 2006-07 EXECUTIVE RECOMMENDATION REVENUE CHANGES**  
(Millions of Dollars)

	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<b><i>International and Certain Interstate Communications</i></b> Eliminate use tax exemption for WATTS services, interstate private networks, and international calls.	\$14.8	\$7.4	\$22.2
<b><i>Interstate Trucks and Trailers</i></b> Eliminate sales and use tax exemption for trucks and trailers if 10% of miles traveled are outside of the state. Proposal would tax the Michigan share of usage.	11.0	5.5	16.5
<b><i>Driver Education Vehicles</i></b> Eliminate sales and use tax exemption for driver education vehicles purchased by public or parochial schools.	0.2	0.4	0.6
<b><i>Purchases Made by Department of Corrections Inmates</i></b> Eliminate sales tax exemption for purchases at prison stores.	0.2	0.4	0.6
<b><i>Insurance Company "In-Lieu-of-Other-Taxes"</i></b> Modify SBT provision to ensure that insurance companies are subject to sales and use taxes as opposed to the SBT in lieu of other taxes.	2.0	1.0	3.0
<b><i>Oil and Gas Royalty</i></b> Eliminate deduction from the income tax of certain indirect costs (such as depreciation) from adjusted gross income.	2.8	1.0	3.8
<b><i>Gain From Sale of Inherited Assets</i></b> Eliminate the stepped-up basis and impose the income tax on the gain of assets inherited from estates valued at more than \$1 million. Stepped-up basis refers to the gain accrued during a decedent's life.	4.6	1.6	6.2
<b><i>Create "Affiliate Nexus" Standard for Nonresident Affiliates</i></b> The "affiliate nexus" standard would disregard the legal business form in opposing nexus for nonresident affiliate companies without a physical presence in Michigan. This change would affect SBT and use tax revenue.	12.0	3.0	15.0
<b><i>Limit Credits and Deductions for PEOs</i></b> Professional employer organizations (PEOs) manage the employment and human resource functions of other businesses and lease employees to clients. Proposal would eliminate the use of PEOs to reduce tax liability.	15.0	0.0	15.0
<b><i>Apply Small Business Eligibility Test to LLCs</i></b> Eligibility for the small business credit includes income limits. These limits apply to all business owners except limited liability companies (LLCs). Proposal would apply the eligibility requirements to LLCs.	0.8	0.0	0.8
<b><i>Apply Small Business Eligibility Test to Out-of-State Affiliates</i></b> Members of a group of companies with common ownership are required to combine their activities for the purpose of qualifying for the small business credit. Eligibility rules differ for Michigan-owned and out-of-state-owned businesses. Proposal would apply the same eligibility rules to out-of-state affiliates.	3.0	0.0	3.0
<b><i>Eliminate Deduction for Gain from Entity Not Taxable in Michigan</i></b> Business income would only be deductible if the out-of-state entity is taxable in Michigan.	8.3	0.0	8.3

**OVERVIEW**

**FY 2006-07 EXECUTIVE RECOMMENDATION REVENUE CHANGES**  
(Millions of Dollars)

	<u>GF/GP</u>	<u>SAF</u>	<u>Total</u>
<b><i>Limit Certain "Flow-Through" Entity Deductions</i></b> Prevent shifting unrealized business losses and credits from "flow-through" and subsidiary entities.	3.8	0.0	3.8
<b><i>Exempt Certain Commercial Rental Property and Impose Specific Tax</i></b> Decreases in occupancy rates for commercial rental property are treated as losses, which reduces the taxable value. Increases in occupancy rates are not treated as additions, and are subject to the annual taxable value cap. Proposal would exempt certain commercial rental property from the property tax and impose a specific tax.	0.0	2.5	2.5
<b><i>Increase Penalties for Certain Delinquent Taxes</i></b> Restore penalties for late payments of certain income tax withholding, sales tax, and use tax payments.	4.9	0.0	4.9
<b><i>Publicize Names of Major Delinquent Taxpayers</i></b> Implement a "Cybershame" program, which would allow the names of major delinquent taxpayers (over \$25,000 in tax liability) to be published.	<u>5.0</u>	<u>0.0</u>	<u>5.0</u>
<b>Total</b>	<b>\$88.4</b>	<b>\$22.8</b>	<b>\$111.2</b>

**ADJUSTMENTS TO FY 2006-07 EXECUTIVE RECOMMENDATION  
IF THE LEGISLATURE CHOOSES NOT TO ACT ON EXECUTIVE-PROPOSED REVENUE ENHANCEMENTS**

	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>Restricted</u>	<u>GF/GP</u>	<u>Total</u>
<b>FY 2006-07 Executive Recommendation</b>	<b>\$13,411,574,300</b>	<b>\$395,216,600</b>	<b>\$83,345,200</b>	<b>\$18,739,527,700</b>	<b>\$9,252,860,100</b>	<b>\$41,882,523,900</b>
<b><u>Executive-Proposed Revenue Enhancements</u></b>						
<b><i>Elimination of Tax Expenditures:</i></b> Executive Recommends that 15 tax subsidies be eliminated. See page 7 for details.				(22,800,000)	(83,400,000)	(106,200,000)
<b><i>Publicize Names of Major Delinquent Taxpayers</i></b>					(5,000,000)	(5,000,000)
<b><i>Increase Liquor License Fee:</i></b> Proposed increase in the annual fees license holders pay would be used to allow a \$23.0 million lapse from the Liquor Purchase Fund to GF/GP.					(23,100,000)	(23,100,000)
<b><i>Land Sales:</i></b> Forest Land (\$18 million), 15 surplus properties from State Police tower system, Western Wayne (former correctional facility), Ottawa Street (Lansing), Southgate (former DCH facility), vacant facility and land at Maxey training School.					(28,000,000)	(28,000,000)
<b><i>Hospital Provider Tax:</i></b> Increase in hospital provider tax rate from 1.8% to 2.8%; restricted revenue used to finance an increase in Medicaid hospital DRG rates paid through health plans. State also retains \$20 million from the increased hospital tax revenue to offset GF/GP costs and an additional \$10 million from the health plan provider tax revenue that also increases.	(178,215,700)			(167,881,700)		(346,097,400)
<b><i>Third Party Liability Recovery Savings:</i></b> Require all insurers doing business in Michigan to report health coverage for Michigan residents. This will enable the state to better identify Medicaid eligible persons with other health insurance and avoid or recover payments for services provided by the Medicaid program.			(11,724,000)			(11,724,000)
<b><i>Children of Veterans Tuition Grant Program:</i></b> Proposed income tax check-off contributions.			(500,000)			(500,000)
<b>Adjusted Total</b>	<b>\$13,233,358,600</b>	<b>\$395,216,600</b>	<b>\$71,121,200</b>	<b>\$18,548,846,000</b>	<b>\$9,113,360,100</b>	<b>\$41,361,902,500</b>
<b>Difference From Executive Recommendation</b>	<b>(\$178,215,700)</b>	<b>\$0</b>	<b>(\$12,224,000)</b>	<b>(\$190,681,700)</b>	<b>(\$139,500,000)</b>	<b>(\$520,621,400)</b>

The Executive Recommendation is based on revenue enhancements, most of which require legislative action. In the table above, proposed revenue enhancements are shown with estimates of the impact on the Executive Recommendation if the Legislature chooses not to act.

**FY 2006-07 EXECUTIVE RECOMMENDATION  
PROPOSALS REQUIRING FEDERAL LAW CHANGE OR FEDERAL WAIVER**

	<b><u>Increased Federal Funds</u></b>	<b><u>Increased Restricted Funds</u></b>	<b><u>GF\GP Savings</u></b>
<b>Michigan First HealthCare Plan:</b> Anticipated federal funding made available through a proposed federal waiver to extend basic health insurance coverage for up to 550,000 low income uninsured persons in Michigan.	\$200,000,000		
<b>Federal Rebates for Pharmaceuticals Paid for Through Health Plans:</b> Assumes savings from a federal law change authorizing Medicaid drug rebates for medications provided to Medicaid beneficiaries enrolled in health plans. Currently rebates are applicable only to persons in the fee-for-service system.	(\$57,000,000)		(\$43,000,000)
<b>Carve In of Anti-Psychotic and Anti-Depressant Medications:</b> Seeks federal approval to transfer Medicaid funding for anti-depressant medications to health plans and funds for anti-psychotic prescription drugs to community mental health prepaid inpatient health plans. The GF/GP savings result from increases in the Mental Health and Health Plan provider taxes.	\$8,541,600	\$14,997,600	(\$8,369,600)
<b>Total</b>	<b>\$151,541,600</b>	<b>\$14,997,600</b>	<b>(\$51,369,600)</b>

**FY 2006-07 ECONOMIC INCREASES BY DEPARTMENT/AGENCY**

(Thousands of Dollars)

	<u>Employee-Related Economics</u>		<u>Building Occupancy Charges &amp; Rent</u>		<u>Food &amp; Fuel at 24-Hour Institutions</u>		<u>Total</u>	
	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>	<u>Gross</u>	<u>GF/GP</u>
Agriculture	\$2,396.4	\$1,102.6	\$80.6	\$57.8	\$0.0	\$0.0	\$2,477.0	\$1,160.4
Attorney General	3,200.2	1,570.5	(13.5)	(13.5)	0.0	0.0	3,186.7	1,557.0
Civil Rights	340.4	340.4	0.0	0.0	0.0	0.0	340.4	340.4
Civil Service	947.7	219.4	(32.5)	(9.8)	0.0	0.0	915.2	209.6
Community Health	23,508.4	14,030.1	(234.5)	(163.0)	397.2	298.7	23,671.1	14,165.8
Corrections	80,368.0	78,626.9	(105.7)	(105.7)	3,112.2	3,112.2	83,374.5	81,633.4
Education	1,266.2	133.7	(60.5)	(14.2)	0.0	0.0	1,205.7	119.5
Environmental Quality	5,516.0	1,061.7	59.1	21.3	0.0	0.0	5,575.1	1,083.0
Executive Office	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
History, Arts, and Libraries	729.5	653.4	253.1	253.1	0.0	0.0	982.6	906.5
Human Services	41,870.1	18,520.3	(2,293.2)	(732.4)	113.2	61.9	39,690.1	17,849.8
Information Technology*	6,460.0	2,450.6	716.6	716.6	0.0	0.0	7,176.6	3,167.2
Judiciary	2,057.3	1,950.6	146.0	46.8	0.0	0.0	2,203.3	1,997.4
Labor and Economic Growth	17,241.0	462.0	409.6	241.1	0.0	0.0	17,650.6	703.1
Legislature	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Management and Budget	2,555.5	951.7	42.9	(229.0)	0.0	0.0	2,598.4	722.7
Military and Veterans Affairs	3,828.7	2,169.8	0.0	0.0	121.2	80.8	3,949.9	2,250.6
Natural Resources	6,134.6	391.4	39.5	2.9	0.0	0.0	6,174.1	394.3
State	5,872.9	4,398.6	267.3	213.8	0.0	0.0	6,140.2	4,612.4
State Police	18,667.4	15,472.4	982.1	899.6	0.0	0.0	19,649.5	16,372.0
Transportation	8,169.0	0.0	927.3	0.0	0.0	0.0	9,096.3	0.0
Treasury	7,097.6	1,706.1	535.7	438.5	0.0	0.0	7,633.3	2,144.6
<b>TOTAL</b>	<b>\$238,226.9</b>	<b>\$146,212.2</b>	<b>\$1,719.9</b>	<b>\$1,623.9</b>	<b>\$3,743.8</b>	<b>\$3,553.6</b>	<b>\$243,690.6</b>	<b>\$151,389.7</b>

\*Note: Table shows Department of Information (DIT)-related economics on its own line. In actuality, DIT economics are budgeted in the various department/agency budgets.

**OVERVIEW**

**STATE BUILDING AUTHORITY PROJECTS: FY 2006-07 EXECUTIVE RECOMMENDATION**

	<b><u>Project</u></b>	<b><u>Total Cost</u></b>	<b><u>State Share</u></b>	<b><u>School Share</u></b>
<b><u>Construction Authorizations</u></b>				
Kirtland Community College	Campus Wide Water Well System	\$1,005,000	\$502,500	\$502,500
Management and Budget	State Facility Preservation, Phase III	50,000,000	50,000,000	0
Natural Resources	State Parks Improvement Projects	<u>20,000,000</u>	<u>20,000,000</u>	<u>0</u>
	<b>Subtotal Construction</b>	\$71,005,000	\$70,502,500	\$502,500
<b><u>Planning Authorizations</u></b>				
<b><u>State Agencies</u></b>				
Management and Budget	Regional Economic Development Initiative	<u>\$100,000,000</u>	<u>\$100,000,000</u>	<u>\$0</u>
	<b>Subtotal State Agencies</b>	\$100,000,000	\$100,000,000	\$0
<b><u>Universities</u></b>				
Eastern Michigan University	Pray-Harrold Building Renovations	\$52,695,000	\$39,521,300	\$13,173,700
Lake Superior State University	South Hall Reconstruction	10,000,000	7,500,000	2,500,000
Northern Michigan University	Cohodas Building Adaptive Renovations	15,584,000	11,688,000	3,896,000
Oakland University	Engineering Center	64,357,700	40,000,000	24,357,700
University of Michigan - Dearborn	Teacher Preparation/Child Development Center	<u>6,000,000</u>	<u>4,500,000</u>	<u>1,500,000</u>
	<b>Subtotal Universities</b>	\$148,636,700	\$103,209,300	\$45,427,400
<b><u>Community Colleges</u></b>				
Delta College	Health & Wellness Programs - F Wing	\$11,299,000	\$5,649,500	\$5,649,500
Grand Rapids Community College	Lifelong Learning Center	21,900,000	10,950,000	10,950,000
Henry Ford Community College	Instructional Technology & Infra. Improvements	12,160,000	6,080,000	6,080,000
Kalamazoo Valley Community College	Texas Township Campus Expansion	7,065,000	3,532,500	3,532,500
Kellogg Community College	C Classroom Building Renovations	4,000,000	2,000,000	2,000,000
Lake Michigan College	Emerging Technologies Initiative	7,000,000	3,500,000	3,500,000
Monroe County Community College	Classroom Technology & Environmental Upgrades	2,200,000	1,100,000	1,100,000
Mott Community College	Library Renovations	8,200,000	4,100,000	4,100,000
Muskegon Community College	Museum/Art Project	10,000,000	5,000,000	5,000,000
North Central Michigan College	University and Science Center	16,323,700	8,161,800	8,161,900
Oakland Community College	Building A Addition/Renovations	32,065,000	16,032,500	16,032,500
St. Clair County Community College	Health & Human Services Center	7,000,000	3,500,000	3,500,000
Wayne County Community College	Northwest Campus Replacement	<u>42,000,000</u>	<u>21,000,000</u>	<u>21,000,000</u>
	<b>Subtotal Community Colleges</b>	\$181,212,700	\$90,606,300	\$90,606,400
	<b>Grand Total</b>	<b>\$500,854,400</b>	<b>\$364,318,100</b>	<b>\$136,536,300</b>

**FY 2006-07 EXECUTIVE RECOMMENDATION: SUMMARY TABLES**

The Executive Budget Recommendation for FY 2006-07 increases adjusted gross appropriations by \$1,035.5 million (2.5%), GF/GP appropriations by \$271.3 million (3.0%), and state restricted appropriations by \$230.2 million (1.2%) from year-to-date FY 2005-06 levels. Total state spending from state sources increases \$501.5 million (1.8%).

	Millions of Dollars			
	<u>FY 2005-06 Year-to-Date</u>	<u>FY 2006-07 Executive Recommendation</u>	<u>Amount Change</u>	<u>% Change</u>
General Fund/General Purpose	\$8,981.6	\$9,252.9	\$271.3	3.0%
State Restricted	<u>18,509.3</u>	<u>18,739.5</u>	<u>230.2</u>	1.2%
<b>Total State Spending from State Sources</b>	<b>\$27,490.9</b>	<b>\$27,992.4</b>	<b>\$501.5</b>	<b>1.8%</b>
Federal	12,933.4	13,411.6	478.2	3.7%
Local	342.8	395.2	52.4	15.3%
Private	<u>79.9</u>	<u>83.3</u>	<u>3.4</u>	4.3%
<b>Total Adjusted Gross</b>	<b>\$40,847.0</b>	<b>\$41,882.5</b>	<b>\$1,035.5</b>	<b>2.5%</b>

The tables on the following pages summarize the overall content of the FY 2006-07 Executive Recommendation.

**Table 1** provides a summary of the overall content of the Executive Recommendation adjusted for revenue enhancements.

**Table 2** details the FY 2006-07 Executive Recommendation by **Source of Funds**.

**Table 3** compares **Adjusted Gross Appropriations** for FY 2005-06 YTD to the FY 2006-07 Executive Recommendation.

**Table 4** compares **GF/GP Appropriations** for FY 2005-06 YTD to the FY 2006-07 Executive Recommendation.

**Table 5** compares the number of **Full-Time Equated (FTE) Positions** (classified and unclassified) for FY 2005-06 YTD to the FY 2006-07 Executive Recommendation. Each FTE is equivalent to 2,088 hours of employee compensated time (includes overtime, annual leave, and used sick leave) during the year.

**Table 6** shows the Executive Recommendation for FY 2006-07 **State Spending from State Sources Paid to Local Governments**. Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government. The Executive Recommendation provides for \$15.8 billion in state spending to local units of government in FY 2006-07, which is 57.8% of the estimated \$27.3 billion in state spending from state resources—well within the constitutional requirement.

**OVERVIEW**

**TABLE 1  
FY 2006-07 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS**

<u>Department/Budget Area</u>	<u>Gross</u>	<u>IDG/IDT</u>	<u>Adjusted Gross</u>	<u>Federal</u>	<u>Local</u>	<u>Private</u>	<u>State Restricted</u>	<u>GF/GP</u>
Community Colleges	287,129,400	0	287,129,400	0	0	0	0	287,129,400
Education	90,365,100	0	90,365,100	67,570,600	5,985,600	2,914,400	7,227,000	6,667,500
Higher Education	1,741,840,700	0	1,741,840,700	3,000,000	0	0	153,800,000	1,585,040,700
School Aid	<u>13,119,014,700</u>	<u>0</u>	<u>13,119,014,700</u>	<u>1,412,736,900</u>	<u>0</u>	<u>0</u>	<u>11,671,277,800</u>	<u>35,000,000</u>
<b>EDUCATION</b>	<b>\$15,238,349,900</b>	<b>\$0</b>	<b>\$15,238,349,900</b>	<b>\$1,483,307,500</b>	<b>\$5,985,600</b>	<b>\$2,914,400</b>	<b>\$11,832,304,800</b>	<b>\$1,913,837,600</b>
Attorney General	68,306,300	13,914,300	54,392,000	10,236,500	0	0	11,259,500	32,896,000
Civil Rights	14,020,200	0	14,020,200	1,566,200	0	0	0	12,454,000
Civil Service	36,547,100	5,788,100	30,759,000	4,779,100	1,700,000	150,000	17,157,500	6,972,400
Executive Office	5,375,500	0	5,375,500	0	0	0	0	5,375,500
Information Technology	378,422,000	378,422,000	0	0	0	0	0	0
Legislature	129,731,900	2,301,500	127,430,400	0	0	400,000	2,356,500	124,673,900
Management and Budget	496,142,000	155,293,500	340,848,500	0	0	0	67,438,900	273,409,600
Michigan Strategic Fund	80,479,800	78,600	80,401,200	47,687,000	0	700,000	5,000	32,009,200
State	204,793,500	20,000,000	184,793,500	3,052,100	0	100	162,608,600	19,132,700
Treasury: Operations	378,876,700	13,848,200	365,028,500	35,906,300	1,066,200	0	266,513,300	61,542,700
Treasury: Debt/Revenue Sharing	<u>1,214,629,600</u>	<u>0</u>	<u>1,214,629,600</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,137,314,500</u>	<u>77,315,100</u>
<b>GENERAL GOVERNMENT</b>	<b>\$3,007,324,600</b>	<b>\$589,646,200</b>	<b>\$2,417,678,400</b>	<b>\$103,227,200</b>	<b>\$2,766,200</b>	<b>\$1,250,100</b>	<b>\$1,664,653,800</b>	<b>\$645,781,100</b>
Community Health	11,262,257,000	37,286,100	11,224,970,900	6,103,178,000	241,177,400	61,326,900	1,817,312,800	3,001,975,800
Corrections	1,947,421,500	1,238,400	1,946,183,100	11,431,500	420,900	0	68,775,700	1,865,555,000
Human Services	<u>4,471,804,500</u>	<u>1,102,700</u>	<u>4,470,701,800</u>	<u>3,147,082,900</u>	<u>55,939,500</u>	<u>9,914,100</u>	<u>66,868,600</u>	<u>1,190,896,700</u>
<b>HUMAN SERVICES</b>	<b>\$17,681,483,000</b>	<b>\$39,627,200</b>	<b>\$17,641,855,800</b>	<b>\$9,261,692,400</b>	<b>\$297,537,800</b>	<b>\$71,241,000</b>	<b>\$1,952,957,100</b>	<b>\$6,058,427,500</b>
Labor and Economic Growth	<u>1,217,098,900</u>	<u>12,271,100</u>	<u>1,204,827,800</u>	<u>795,345,800</u>	<u>15,824,300</u>	<u>2,314,300</u>	<u>343,906,700</u>	<u>47,436,700</u>
<b>LABOR AND ECONOMIC GROWTH</b>	<b>\$1,217,098,900</b>	<b>\$12,271,100</b>	<b>\$1,204,827,800</b>	<b>\$795,345,800</b>	<b>\$15,824,300</b>	<b>\$2,314,300</b>	<b>\$343,906,700</b>	<b>\$47,436,700</b>
Agriculture	111,785,000	10,382,700	101,402,300	22,757,000	0	183,800	48,399,000	30,062,500
Environmental Quality	370,228,500	18,233,600	351,994,900	140,338,500	0	450,000	177,878,000	33,328,400
Natural Resources	<u>287,018,200</u>	<u>3,765,900</u>	<u>283,252,300</u>	<u>42,964,300</u>	<u>0</u>	<u>2,125,100</u>	<u>213,043,300</u>	<u>25,119,600</u>
<b>RESOURCE PROTECTION</b>	<b>\$769,031,700</b>	<b>\$32,382,200</b>	<b>\$736,649,500</b>	<b>\$206,059,800</b>	<b>\$0</b>	<b>\$2,758,900</b>	<b>\$439,320,300</b>	<b>\$88,510,500</b>
Military and Veterans Affairs	122,317,600	1,664,600	120,653,000	51,190,700	1,253,100	1,366,300	26,202,700	40,640,200
State Police	<u>578,496,800</u>	<u>22,642,400</u>	<u>555,854,400</u>	<u>181,013,300</u>	<u>8,088,900</u>	<u>80,300</u>	<u>111,373,200</u>	<u>255,298,700</u>
<b>SAFETY AND DEFENSE</b>	<b>\$700,814,400</b>	<b>\$24,307,000</b>	<b>\$676,507,400</b>	<b>\$232,204,000</b>	<b>\$9,342,000</b>	<b>\$1,446,600</b>	<b>\$137,575,900</b>	<b>\$295,938,900</b>
Capital Outlay	215,975,100	2,000,000	213,975,100	147,974,300	12,648,300	0	53,350,300	2,200
History, Arts, and Libraries	54,688,700	79,000	54,609,700	8,450,900	0	577,400	2,781,200	42,800,200
Judiciary	258,248,700	2,563,500	255,685,200	3,926,400	3,612,400	842,500	87,178,500	160,125,400
Transportation	<u>3,442,385,100</u>	<u>0</u>	<u>3,442,385,100</u>	<u>1,169,386,000</u>	<u>47,500,000</u>	<u>0</u>	<u>2,225,499,100</u>	<u>0</u>
<b>ALL OTHERS</b>	<b>\$3,971,297,600</b>	<b>\$4,642,500</b>	<b>\$3,966,655,100</b>	<b>\$1,329,737,600</b>	<b>\$63,760,700</b>	<b>\$1,419,900</b>	<b>\$2,368,809,100</b>	<b>\$202,927,800</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$42,585,400,100</b>	<b>\$702,876,200</b>	<b>\$41,882,523,900</b>	<b>\$13,411,574,300</b>	<b>\$395,216,600</b>	<b>\$83,345,200</b>	<b>\$18,739,527,700</b>	<b>\$9,252,860,100</b>

**TABLE 2**  
**ADJUSTED GROSS APPROPRIATIONS**  
**FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Exec Rec</u>	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	281,327,400	287,129,400	5,802,000	2.1%
Education	117,475,600	90,365,100	(27,110,500)	-23.1%
Higher Education	1,734,443,900	1,741,840,700	7,396,800	0.4%
School Aid	<u>12,757,151,300</u>	<u>13,119,014,700</u>	<u>361,863,400</u>	2.8%
<b>EDUCATION</b>	<b>\$14,890,398,200</b>	<b>\$15,238,349,900</b>	<b>\$347,951,700</b>	<b>2.3%</b>
Attorney General	51,312,000	54,392,000	3,080,000	6.0%
Civil Rights	13,158,500	14,020,200	861,700	6.5%
Civil Service	30,270,700	30,759,000	488,300	1.6%
Executive Office	5,375,500	5,375,500	0	0.0%
Information Technology	0	0	0	
Legislature	127,430,400	127,430,400	0	0.0%
Management and Budget	78,127,300	340,848,500	262,721,200	336.3%
Michigan Strategic Fund		80,401,200	80,401,200	
State	177,378,400	184,793,500	7,415,100	4.2%
Treasury: Operations	652,919,000	365,028,500	(287,890,500)	-44.1%
Treasury: Debt/RevenueShare	<u>1,205,613,400</u>	<u>1,214,629,600</u>	<u>9,016,200</u>	0.7%
<b>GENERAL GOVERNMENT</b>	<b>\$2,341,585,200</b>	<b>\$2,417,678,400</b>	<b>\$76,093,200</b>	<b>3.2%</b>
Community Health	10,292,104,000	11,224,970,900	932,866,900	9.1%
Corrections	1,859,062,600	1,946,183,100	87,120,500	4.7%
Human Services	<u>4,425,535,800</u>	<u>4,470,701,800</u>	<u>45,166,000</u>	1.0%
<b>HUMAN SERVICES</b>	<b>\$16,576,702,400</b>	<b>\$17,641,855,800</b>	<b>\$1,065,153,400</b>	<b>6.4%</b>
Labor and Economic Growth	<u>1,678,992,900</u>	<u>1,204,827,800</u>	<u>(474,165,100)</u>	-28.2%
<b>LABOR AND ECONOMIC GROWTH</b>	<b>\$1,678,992,900</b>	<b>\$1,204,827,800</b>	<b>(\$474,165,100)</b>	<b>-28.2%</b>
Agriculture	108,810,200	101,402,300	(7,407,900)	-6.8%
Environmental Quality	437,164,900	351,994,900	(85,170,000)	-19.5%
Natural Resources	<u>269,251,900</u>	<u>283,252,300</u>	<u>14,000,400</u>	5.2%
<b>RESOURCE PROTECTION</b>	<b>\$815,227,000</b>	<b>\$736,649,500</b>	<b>(\$78,577,500)</b>	<b>-9.6%</b>
Military and Veterans Affairs	116,042,600	120,653,000	4,610,400	4.0%
State Police	<u>530,073,800</u>	<u>555,854,400</u>	<u>25,780,600</u>	4.9%
<b>SAFETY AND DEFENSE</b>	<b>\$646,116,400</b>	<b>\$676,507,400</b>	<b>\$30,391,000</b>	<b>4.7%</b>
Capital Outlay	226,304,700	213,975,100	(12,329,600)	-5.4%
History, Arts, and Libraries	52,569,400	54,609,700	2,040,300	3.9%
Judiciary	252,818,400	255,685,200	2,866,800	1.1%
Transportation	<u>3,387,807,500</u>	<u>3,442,385,100</u>	<u>54,577,600</u>	1.6%
<b>ALL OTHERS</b>	<b>\$3,919,500,000</b>	<b>\$3,966,655,100</b>	<b>\$47,155,100</b>	<b>1.2%</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$40,868,522,100</b>	<b>\$41,882,523,900</b>	<b>\$1,014,001,800</b>	<b>2.5%</b>

**OVERVIEW**

**TABLE 3**  
**GENERAL FUND/GENERAL PURPOSE APPROPRIATIONS**  
**FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date**

<u>Department/Budget Area</u>	<u>Year-To-Date</u>	<u>Year-To-Date</u>	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	281,327,400	287,129,400	5,802,000	2.1%
Education	16,100,400	6,667,500	(9,432,900)	-58.6%
Higher Education	1,577,443,900	1,585,040,700	7,596,800	0.5%
School Aid	<u>62,714,000</u>	<u>35,000,000</u>	<u>(27,714,000)</u>	-44.2%
<b>EDUCATION</b>	<b>\$1,937,585,700</b>	<b>\$1,913,837,600</b>	<b>(\$23,748,100)</b>	<b>-1.2%</b>
Attorney General	31,501,200	32,896,000	1,394,800	4.4%
Civil Rights	12,108,700	12,454,000	345,300	2.9%
Civil Service	7,102,400	6,972,400	(130,000)	-1.8%
Executive Office	5,375,500	5,375,500	0	0.0%
Information Technology	0	0	0	
Legislature	124,673,900	124,673,900	0	0.0%
Management and Budget	35,217,900	273,409,600	238,191,700	676.3%
Michigan Strategic Fund		32,009,200	32,009,200	
State	13,497,800	19,132,700	5,634,900	41.7%
Treasury: Operations	313,686,600	61,542,700	(252,143,900)	-80.4%
Treasury: Debt/Revenue	<u>53,598,900</u>	<u>77,315,100</u>	<u>23,716,200</u>	44.2%
<b>GENERAL GOVERNMENT</b>	<b>\$596,762,900</b>	<b>\$645,781,100</b>	<b>\$49,018,200</b>	<b>8.2%</b>
Community Health	2,951,899,400	3,001,975,800	50,076,400	1.7%
Corrections	1,780,650,700	1,865,555,000	84,904,300	4.8%
Human Services	<u>1,081,211,900</u>	<u>1,190,896,700</u>	<u>109,684,800</u>	10.1%
<b>HUMAN SERVICES</b>	<b>\$5,813,762,000</b>	<b>\$6,058,427,500</b>	<b>\$244,665,500</b>	<b>4.2%</b>
Labor and Economic Growth	<u>71,354,300</u>	<u>47,436,700</u>	<u>(23,917,600)</u>	-33.5%
<b>LABOR AND ECONOMIC GROWTH</b>	<b>\$71,354,300</b>	<b>\$47,436,700</b>	<b>(\$23,917,600)</b>	<b>-33.5%</b>
Agriculture	28,362,700	30,062,500	1,699,800	6.0%
Environmental Quality	31,809,600	33,328,400	1,518,800	4.8%
Natural Resources	<u>25,593,200</u>	<u>25,119,600</u>	<u>(473,600)</u>	-1.9%
<b>RESOURCE PROTECTION</b>	<b>\$85,765,500</b>	<b>\$88,510,500</b>	<b>\$2,745,000</b>	<b>3.2%</b>
Military and Veterans Affairs	37,789,100	40,640,200	2,851,100	7.5%
State Police	<u>235,361,600</u>	<u>255,298,700</u>	<u>19,937,100</u>	8.5%
<b>SAFETY AND DEFENSE</b>	<b>\$273,150,700</b>	<b>\$295,938,900</b>	<b>\$22,788,200</b>	<b>8.3%</b>
Capital Outlay	4,401,900	2,200	(4,399,700)	-100.0%
History, Arts, and Libraries	41,190,100	42,800,200	1,610,100	3.9%
Judiciary	157,614,500	160,125,400	2,510,900	1.6%
Transportation	<u>0</u>	<u>0</u>	<u>0</u>	
<b>ALL OTHERS</b>	<b>\$203,206,500</b>	<b>\$202,927,800</b>	<b>(\$278,700)</b>	<b>-0.1%</b>
<b>TOTAL APPROPRIATIONS</b>	<b>\$8,981,587,600</b>	<b>\$9,252,860,100</b>	<b>\$271,272,500</b>	<b>3.0%</b>

**TABLE 4  
FULL-TIME EQUATED (FTE) POSITIONS\*  
FY 2006-07 Executive Recommendation Compared with FY 2005-06 Year-to-Date**

<u>Department/Budget Area</u>	Year-To-Date	Year-To-Date	<u>FY 2006-07 vs. FY 2005-06</u>	
	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>Amount Different</u>	<u>Percent Different</u>
Community Colleges	0.0	0.0	0.0	
Education	423.5	435.5	12.0	2.8%
Higher Education	1.0	1.0	0.0	0.0%
School Aid	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
<b>EDUCATION</b>	<b>424.5</b>	<b>436.5</b>	<b>12.0</b>	<b>2.8%</b>
Attorney General	566.0	563.0	(3.0)	-0.5%
Civil Rights	141.0	141.0	0.0	0.0%
Civil Service	240.5	240.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,766.4	1,781.4	15.0	0.8%
Legislature	0.0	0.0	0.0	
Management and Budget	751.0	759.0	8.0	1.1%
Michigan Strategic Fund		152.0	152.0	
State	1,859.8	1,859.8	0.0	0.0%
Treasury: Operations	1,700.5	1,706.5	6.0	0.4%
Treasury: Debt/Revenue Sharing	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	
<b>GENERAL GOVERNMENT</b>	<b>7,109.4</b>	<b>7,287.4</b>	<b>178.0</b>	<b>2.5%</b>
Community Health	4,674.6	4,671.1	(3.5)	-0.1%
Corrections	17,525.2	17,828.5	303.3	1.7%
Human Services	<u>10,286.0</u>	<u>10,112.7</u>	<u>(173.3)</u>	-1.7%
<b>HUMAN SERVICES</b>	<b>32,485.8</b>	<b>32,612.3</b>	<b>126.5</b>	<b>0.4%</b>
Labor and Economic Growth	<u>4,410.0</u>	<u>4,265.0</u>	<u>(145.0)</u>	-3.3%
<b>LABOR AND ECONOMIC GROWTH</b>	<b>4,410.0</b>	<b>4,265.0</b>	<b>(145.0)</b>	<b>-3.3%</b>
Agriculture	697.0	696.0	(1.0)	-0.1%
Environmental Quality	1,573.2	1,567.7	(5.5)	-0.3%
Natural Resources	<u>2,079.5</u>	<u>2,093.4</u>	<u>13.9</u>	0.7%
<b>RESOURCE PROTECTION</b>	<b>4,349.7</b>	<b>4,357.1</b>	<b>7.4</b>	<b>0.2%</b>
Military and Veterans Affairs	1,023.0	1,022.0	(1.0)	-0.1%
State Police	<u>2,900.0</u>	<u>2,903.0</u>	<u>3.0</u>	0.1%
<b>SAFETY AND DEFENSE</b>	<b>3,923.0</b>	<b>3,925.0</b>	<b>2.0</b>	<b>0.1%</b>
Capital Outlay	0.0	0.0	0.0	
History, Arts, and Libraries	238.0	238.0	0.0	0.0%
Judiciary	509.0	509.0	0.0	0.0%
Transportation	<u>3,028.3</u>	<u>3,036.3</u>	<u>8.0</u>	0.3%
<b>ALL OTHERS</b>	<b>3,775.3</b>	<b>3,783.3</b>	<b>8.0</b>	<b>0.2%</b>
<b>TOTAL FTE POSITIONS</b>	<b>56,477.7</b>	<b>56,666.6</b>	<b>188.9</b>	<b>0.3%</b>

*\*Includes classified, unclassified, and nonlegislative exempt positions*

**OVERVIEW**

**TABLE 5**  
**STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS**  
**FY 2006-07 Executive Recommendation**

<u>Department/Budget Area</u>	<u>Spending from State Sources</u>	<u>State Spending to Local Government Units</u>	<u>% of State Spending from State Sources as Payment to Locals</u>
Community Colleges	287,129,400	287,129,400	100.0%
Education	13,894,500	0	0.0%
Higher Education	1,738,840,700	3,759,100	0.2%
School Aid	<u>11,706,277,800</u>	<u>11,582,641,800</u>	98.9%
<b>EDUCATION</b>	<b><u>\$13,746,142,400</u></b>	<b><u>\$11,873,530,300</u></b>	<b>86.4%</b>
Attorney General	44,155,500	0	0.0%
Civil Rights	12,454,000	0	0.0%
Civil Service	24,129,900	0	0.0%
Executive Office	5,375,500	0	0.0%
Information Technology	0	0	
Legislature	127,030,400	0	0.0%
Management and Budget	340,848,500	0	0.0%
Michigan Strategic Fund	32,014,200	6,300,000	19.7%
State	181,741,300	1,161,800	0.6%
Treasury: Operations	328,056,000	109,272,800	33.3%
Treasury: Debt/Revenue Sharing	<u>1,214,629,600</u>	<u>1,114,471,400</u>	91.8%
<b>GENERAL GOVERNMENT</b>	<b><u>\$2,310,434,900</u></b>	<b><u>\$1,231,206,000</u></b>	<b>53.3%</b>
Community Health	4,819,288,600	1,132,576,800	23.5%
Corrections	1,934,330,700	90,341,500	4.7%
Human Services	<u>1,257,765,300</u>	<u>96,930,200</u>	7.7%
<b>HUMAN SERVICES</b>	<b><u>\$8,011,384,600</u></b>	<b><u>\$1,319,848,500</u></b>	<b>16.5%</b>
Labor and Economic Growth	<u>391,343,400</u>	<u>51,370,500</u>	13.1%
<b>LABOR AND ECONOMIC GROWTH</b>	<b><u>\$391,343,400</u></b>	<b><u>\$51,370,500</u></b>	<b>13.1%</b>
Agriculture	78,461,500	3,141,000	4.0%
Environmental Quality	211,206,400	4,500,000	2.1%
Natural Resources	<u>238,162,900</u>	<u>29,182,500</u>	12.3%
<b>RESOURCE PROTECTION</b>	<b><u>\$527,830,800</u></b>	<b><u>\$36,823,500</u></b>	<b>7.0%</b>
Military and Veterans Affairs	66,842,900	120,000	0.2%
State Police	<u>366,671,900</u>	<u>19,899,200</u>	5.4%
<b>SAFETY AND DEFENSE</b>	<b><u>\$433,514,800</u></b>	<b><u>\$20,019,200</u></b>	<b>4.6%</b>
Capital Outlay	53,352,500	19,992,000	
History, Arts, and Libraries	45,581,400	14,058,900	30.8%
Judiciary	247,303,900	124,281,800	50.3%
Transportation	<u>2,225,499,100</u>	<u>1,319,045,600</u>	59.3%
<b>ALL OTHER</b>	<b><u>\$2,571,736,900</u></b>	<b><u>\$1,477,378,300</u></b>	<b>57.4%</b>
<b>TOTALS</b>	<b><u>\$27,992,387,800</u></b>	<b><u>\$16,010,176,300</u></b>	<b>57.2%</b>

**FY 2006-07  
Budget Detail  
for  
EDUCATION**

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**Community Colleges  
Education  
Higher Education  
School Aid / K-12**

**Summary: Executive Budget Recommendation  
COMMUNITY COLLEGES  
FY 2006-07**

**Analyst: Viola Bay Wild**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
Federal	0	0	0	0.0
Local	0	0	0	0.0
Private	0	0	0	0.0
Restricted	0	0	0	0.0
<b>GF/GP</b>	281,327,400	287,129,400	5,802,000	2.1
<b>Gross</b>	<b>\$281,327,400</b>	<b>\$287,129,400</b>	<b>\$5,802,000</b>	<b>2.1</b>
FTEs	0.0	0.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Community Colleges budget includes funds for the operations of the state's 28 community colleges, the At-Risk Student Success Program, and renaissance zone tax reimbursement to the colleges. Community colleges also receive operating revenue from local property tax revenue and student tuition and fees.

**Major Budget Changes from FY 2005-06 YTD**

		<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>1. Operations Funding</b>	<b>Gross</b>	<b>\$275,104,700</b>	<b>\$5,502,000</b>
Reflects 2% across-the-board increase to appropriations for college operations compared to FY 2005-06 year-to-date.	GF/GP	\$275,104,700	\$5,502,000
<b>2. Renaissance Zone Tax Reimbursement</b>	<b>Gross</b>	<b>\$2,900,000</b>	<b>\$300,000</b>
Increases funds for statutorily-required reimbursement to colleges with renaissance zones in their districts by 10.3% to reflect expected increases in taxable value in those zones.	GF/GP	\$2,900,000	\$300,000

**Major Boilerplate Changes from FY 2005-06**

**Sec. 208. Entrepreneurship Curriculum – REVISED**

Directs Department of Labor and Economic Growth (DLEG) to work with community colleges to develop accelerated entrepreneurship curriculum, including an associate degree. Executive deletes requirement for annual report.

**Sec. 211. Payment of Appropriations – REVISED**

Provides payment schedule for appropriation payments. Executive deletes the requirement that At-Risk Student Success Program grant funds be paid in full by November 1.

**Sec. 220. ITEM Funding – DELETED**

States legislative intent for restoration of Infrastructure, Technology, Equipment, and Maintenance (ITEM) funds and development of proposals and financing alternatives for special maintenance projects.

**Sec. 230. Abortion Services – DELETED**

Prohibits use of state funds by colleges for provision of health care coverage to employees or their dependents for abortion services, with certain exceptions.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 231. Benefits to Unmarried Partners – DELETED***

States legislative intent that colleges not extend employee benefits to unmarried partners of employees, except for pre- and post-natal costs.

***Sec. 235. State University Admission Policies – DELETED***

States legislative intent that a workgroup be formed to address acceptance and application of college credits; requires report.

***Sec. 236. Tuition Reciprocity Agreements – DELETED***

States legislative intent that tuition reciprocity agreements be submitted for approval by appropriations committees once every three years and that under such agreements, out-of-state students pay the in-state, out-of-district rate.

***Sec. 237. Payments in Lieu of Taxes – DELETED***

States legislative intent that a workgroup be formed to evaluate the possibility of making payments in lieu of taxes to colleges whose districts contain government-owned land.

***Sec. 238. Optional Retirement Plan – DELETED***

States legislative intent that a workgroup be formed to evaluate the impact of expanding eligibility for the Optional Retirement Plan to include part-time faculty; requires report.

***Sec. 239. University Appropriation Increases – DELETED***

States legislative intent that any subsequent proposal to increase appropriations for four-year universities be accompanied by similar action for community colleges.

***Sec. 240. Economic Development Job Training (EDJT) Grants – DELETED***

States legislative intent that at least 70% of EDJT funds appropriated in the DLEG budget be awarded to community colleges.

***Sec. 304. Gast-Mathieu Formula – DELETED***

States legislative intent to achieve full funding of Gast-Mathieu Formula.

***Sec. 503. Taxonomy Review – DELETED***

Requires DLEG to review the taxonomy of the seven colleges randomly selected pursuant to section 502.

***Sec. 511. On-Site Visits and Audits – DELETED***

States legislative intent that the frequency of on-site visits, evaluations, and audits of community colleges be limited; requires DLEG to provide a state plan under federal Perkins Act to Legislature prior to submission to U.S. Department of Education.

***Sec. 513. TIFA Tax Loss Data – DELETED***

Requires Department of Treasury to collect, compile, and distribute data on revenue losses to colleges related to tax increment financing authorities and tax abatements; requires report by March 1, 2006.

**Summary: Executive Budget Recommendation  
DEPARTMENT OF EDUCATION  
FY 2006-07**

**Analysts: Mary Ann Cleary and Bethany Wicksall**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
IDG/IDT	\$0	\$0	\$0	0.0
<b>Federal</b>	70,519,400	67,570,600	(2,948,800)	(4.2)
<b>Local</b>	5,444,000	5,985,600	541,600	9.9
<b>Private</b>	1,898,600	2,914,400	1,015,800	53.5
<b>Restricted</b>	23,513,200	7,227,000	(16,286,200)	(69.3)
<b>GF/GP</b>	16,100,400	6,667,500	(9,432,900)	(58.6)
<b>Gross</b>	<b>\$117,475,600</b>	<b>\$90,365,100</b>	<b>(\$27,110,500)</b>	<b>(23.1)</b>
<b>FTEs</b>	423.5	435.5	12.0	2.8

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations, and providing technical assistance to school districts.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. MEAP Testing Contract</b>	<b>Gross</b>	<b>\$24,784,500</b>	<b>(\$24,784,000)</b>
Transfers the MEAP contract for student testing to the School Aid Fund in the School Aid Act.	Federal	8,425,200	(8,425,200)
	Restricted	16,359,300	(16,359,300)
<b>2. School Breakfast Program</b>	<b>Gross</b>	<b>\$9,625,000</b>	<b>(\$9,625,000)</b>
Transfers the School Breakfast Program and related boilerplate to the School Aid Act.	GF/GP	\$9,625,000	(\$9,625,000)
<b>3. Federal and Private Grants</b>	<b>Gross</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
Authorizes expenditure of up to \$2.0 million additional federal funds and up to \$1.0 million additional private funds if Department receives new grants mid-year.	Federal	2,000,000	2,000,000
	Private	1,000,000	1,000,000
<b>4. Additional Federal Revenue</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,962,400</b>
Recognizes increase in available federal funds for 21st Century Grants (\$66,300), Pre-school Programs (\$201,700), and Educational Assessment and Accountability (\$1.7 million).	Federal	N/A	1,962,400
<b>5. Michigan School for the Deaf and Blind</b>	FTEs	95.0	8.0
Adds 8.0 FTEs to the school for an anticipated increase in enrollment of over 20%.	<b>Gross</b>	<b>\$10,641,600</b>	<b>\$560,000</b>
	Federal	5,120,800	154,700
	Local	5,291,400	405,300
	Private	14,800	0
	Restricted	214,600	0

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>6. Middle School Math Project</b>	<b>Gross</b>	<b>\$100,000</b>	<b>(\$100,000)</b>
Eliminates funding and related boilerplate for two grants (\$50,000 each) for Wayne State University and Michigan Virtual High School for providing professional development or enhanced curricula in middle school mathematics.	Restricted	100,000	(100,000)
<b>7. Economics</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,287,500</b>
Provides for economic increases in salaries and wages, insurances, retirement, and worker's compensation and recognizes savings in building occupancy costs.	Federal	N/A	943,000
	Local	N/A	111,300
	Private	N/A	15,800
	Restricted	N/A	70,100
	GF/GP	N/A	\$147,300

**Major Boilerplate Changes from FY 2005-06****Sec. 215. Departmental Employee Contact with Legislature – DELETED**

Prohibits disciplinary action against a Department employee for communicating with a legislator or his or her staff.

**Sec. 218. Contingency Funds – NEW**

Appropriates up to \$5.0 million federal contingency funds, up to \$700,000 state restricted contingency funds, up to \$250,000 private contingency funds, and \$3.0 million local contingency funds.

**Sec. 303. Best Practices Study – DELETED**

Earmarks \$350,000 to State Board of Education to study and advise the Legislature and Governor on local, state, and national education best practices.

**Sec. 409-410. Michigan School for the Blind Former Site – DELETED**

Allows for expenditure of lease revenue for capital improvements to the site; requires reports on expenditures for capital improvements and general services for the site.

**Sec. 503. Teacher Preparation Programs – DELETED**

Provides \$75,000 for Central Michigan University's Alternative Route to Certification Program.

**Sec. 1001. Federal and Private Grants – NEW**

Requires Department to notify House and Senate appropriation subcommittee chairs within ten days of receipt of a grant appropriated in the new federal and private grants line item.

**Summary: Executive Budget Recommendation  
HIGHER EDUCATION  
FY 2006-07**

**Analyst: Kyle I. Jen**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	3,500,000	3,000,000	(500,000)	(14.3)
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	153,500,000	153,800,000	300,000	0.2
<b>GF/GP</b>	1,577,443,900	1,585,040,700	7,596,800	0.5
<b>Gross</b>	<b>\$1,734,443,900</b>	<b>\$1,741,840,700</b>	<b>\$7,396,800</b>	<b>0.4</b>
<b>FTEs</b>	1.0	1.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Higher Education budget includes funding for the operations of the 15 state universities; need- and merit-based financial aid programs for students attending state universities, community colleges, and independent colleges and universities; and several other higher education-related programs—including Michigan State University’s Agriculture Experiment Station and Extension Service.

**Major Budget Changes from FY 2005-06 YTD**

**1. University Operations – Major Research Universities**  
Increases operations appropriations for three major research universities (Michigan State, University of Michigan-Ann Arbor, and Wayne State) by 2.0% across the board.

	<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>Gross</b>	<b>\$814,765,100</b>	<b>\$16,295,300</b>
GF/GP	\$814,765,100	\$16,295,300

**2. University Operations – Remaining 12 Universities**  
Increases operations appropriations for remaining 12 universities by 1.0% across the board (\$6.1 million GF/GP), with additional 1.0% increase distributed to those 12 universities based on four components (\$1.5 million GF/GP each): Affordability (proportionate to amount of combined state/ tuition revenue per student below 12-university average), Accessibility (proportionate to percentage of combined state/tuition revenue expended on institutional financial aid), Participation (proportionate to Pell Grant awards as percentage of undergraduate enrollment), Degree Completion (proportionate to number of degrees granted, with math/science/engineering/health degrees weighted double general degrees). Total percentage increases for the 12 universities range from 1.6% to 3.9%.

<b>Gross</b>	<b>\$605,066,800</b>	<b>\$12,101,500</b>
Restricted	9,500,000	0
GF/GP	\$595,566,800	\$12,101,500

**3. Tuition Grant Program Phase-Out**  
Eliminates \$58.8 million for Tuition Grant Program to reflect eventual phase-out of program; adds \$29.5 million GF/GP to State Competitive Scholarship line item for costs of Tuition Grant awards to students currently receiving awards; net savings is \$29.3 million. Maximum award level would be lowered from \$2,000 to State Competitive Scholarship level of \$1,300; awards to graduate students would be eliminated immediately.

<b>Gross</b>	<b>\$58,768,100</b>	<b>(\$29,300,000)</b>
Restricted	4,000,000	(4,000,000)
GF/GP	\$54,768,100	(\$25,300,000)

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>4. State Competitive Scholarships</b>	<b>Gross</b>	<b>\$34,630,500</b>	<b>(\$500,000)</b>
Replaces \$3.0 million appropriated from Michigan Higher Education Assistance Authority operating fund in FY 2005-06 with GF/GP; removes \$500,000 in federal funding to reflect funds no longer available (in addition to funds added under item 3 above).	Federal	2,000,000	(500,000)
	Restricted	3,000,000	(3,000,000)
	GF/GP	\$29,630,500	\$3,000,000
<b>5. Michigan Merit Award Program</b>	<b>Gross</b>	<b>\$126,400,000</b>	<b>\$1,300,000</b>
Increases appropriation from Merit Award Trust Fund by 1.0% to fund projected cost of \$2,500 Merit Awards and middle school exam-based awards; cost estimate for appropriation does not include \$1,000 out-of-state awards.	Restricted	126,400,000	1,300,000
<b>6. Children of Veterans Tuition Grant Program</b>	<b>Gross</b>	<b>\$500,000</b>	<b>\$500,000</b>
Removes \$500,000 GF/GP for half-year cost of program shifted from Military and Veterans Affairs budget; adds \$1.0 million in restricted funds expected from income tax check-off contributions.	Restricted	0	1,000,000
	GF/GP	\$500,000	(\$500,000)
<b>7. MiLEAD Initiative</b>	<b>Gross</b>	<b>\$0</b>	<b>\$5,000,000</b>
Adds appropriation from Civilian Conservation Corps Endowment Fund for cost of proposed Michigan Leadership, Education, and Development (MiLEAD) Initiative; grants would be made to public colleges/universities to implement residential programs for at-risk youth to earn college credit and perform conservation-based community service.	Restricted	0	5,000,000
<b>8. Tuition Incentive Program (TIP)</b>	<b>Gross</b>	<b>\$12,000,000</b>	<b>\$2,000,000</b>
Increases appropriation by 16.7% to fund projected cost increase for financial aid program due to growing number of students certified as eligible due to Medicaid eligibility.	Restricted	6,600,000	0
	GF/GP	\$5,400,000	\$2,000,000

**Major Boilerplate Changes from FY 2005-06**

**Sec. 212(3). Fiscal Agency Report – DELETED**

Requires fiscal agencies to provide detailed description of procedures used to determine appropriation amounts.

**Sec. 301(6). Tuition Grants: Awards to Current Recipients – NEW**

Allows for expenditure of \$29.5 million from State Competitive Scholarship line to provide Tuition Grant awards in academic year 2006-07 to undergraduate students receiving awards in current academic year; maximum award amount could not exceed the Competitive Scholarship level, which is currently \$1,300.

**Sec. 302. Tuition Grants: Current Provisions – DELETED**

Provides for distribution of funds appropriated for Tuition Grants.

**Sec. 308. Financial Aid Payment Schedules – REVISED**

Revises quarterly payment schedule for most state financial aid programs from either 40/40/10/10 or 50/25/25/0 to 25/25/25/25.

**Sec. 310. Tuition Incentive Program (TIP) – REVISED**

Adds requirement that TIP participants file a Free Application for Federal Student Aid and adds achievement of junior-level status as third possible criterion to become eligible for Phase II of program.

**Sec. 313. MiLEAD Initiative – NEW**

Provides for new program to make grants of up to \$1.0 million each to public colleges/universities for residential programs for at-risk youth to earn college credit and perform conservation-based community service; requires DNR approval of conservation projects and annual report from grant recipients.

**Sec. 402. Douglas Lake Biological Station – DELETED**

Identifies University of Michigan's biological station at Douglas Lake as a unique resource.

**HIGHER EDUCATION**

**Major Boilerplate Changes from FY 2005-06**

***Sec. 418. State University Appropriation Calculations – REVISED***

Replaces description of state university funding model calculations used to determine July/August monthly payment amounts in FY 2005-06 with description of calculations used to distribute 1.0% increase to 12 universities under FY 2006-07 Executive Recommendation.

***Sec. 426. Private Bookstores – DELETED***

States legislative intent that private bookstores have timely access to universities' required textbook lists.

***Sec. 437. Retirement System Stabilization Subaccount – DELETED***

States legislative intent for subsidy from Public School Employee Retirement System stabilization subaccount to reduce university contribution rates.

***Sec. 450. Per-Student Funding Floor – DELETED***

Indicates that \$3,650-per-FYES funding floor is reflected in line item appropriations for universities.

***Sec. 462. FY 2004-05 Book Closing Funds – DELETED***

Provides that funds in FY 2005-06 budget bill for state university operations are in addition to funds paid at FY 2004-05 book closing, which the universities will recognize as FY 2005-06 revenue.

**Summary: Executive Budget Recommendation  
SCHOOL AID  
FY 2006-07 Senate Bill**

**Analyst: Mary Ann Cleary and Bethany Wicksall**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	1,392,587,300	1,412,736,900	20,149,600	1.4
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	11,301,850,000	11,671,277,800	369,427,800	3.3
<b>GF/GP</b>	62,714,000	35,000,000	(27,714,000)	(44.2)
<b>Gross</b>	<b>\$12,757,151,300</b>	<b>\$13,119,014,700</b>	<b>\$361,863,400</b>	<b>2.8</b>
<b>FTEs</b>	0.0	0.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The State Board of Education is an eight-member elected board constitutionally mandated to provide leadership and supervision for public education in Michigan. The Department of Education (DOE) is the administrative arm of the Board charged with implementing state and federal educational mandates and administering programs. Major responsibilities of the DOE include developing and overseeing the K-12 school system, certifying teachers, disbursing funds to educational organizations, and providing technical assistance to school districts.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Proposal A Obligation Payment</b>	<b>Gross</b>	<b>\$6,407,500,000</b>	<b>(\$193,500,000)</b>
Provides reduction from the revised FY 2005-06 proposal to reflect changes in taxable values, pupil membership blends, and anticipated savings from enhanced tax audits.	Restricted	6,407,500,000	(193,500,000)
<b>2. Discretionary Payment</b>	<b>Gross</b>	<b>\$3,217,550,000</b>	<b>\$359,450,000</b>
Adds \$359.4 million to reflect a \$200 per pupil increase in the foundation allowance for FY 2006-07; Executive proposes that \$25 of the increase be paid in FY 2005-06. Includes \$12.0 million for foundation allowance adjustments for districts that levied mills in 1993 to finance an operating deficit (districts eligible for an adjustment are Clintondale, Pontiac, Madison, Detroit, Garden City, Highland Park, and Huron Schools).	Restricted	3,217,550,000	359,450,000
<b>3. School Readiness Program – District Grants</b>	<b>Gross</b>	<b>\$72,800,000</b>	<b>\$28,800,000</b>
Increases funding by \$28.8 million to \$101.6 million; additional funds will allow over 8,700 more 4-year-olds to be served by the program.	Restricted	72,600,000	28,800,000
	GF/GP	\$200,000	\$0
<b>4. Great Parents, Great Start – ISD grants</b>	<b>Gross</b>	<b>\$3,326,000</b>	<b>\$6,674,000</b>
Adds \$6.7 million to expand the ISD age 0-5 program to \$10.0 million.	Restricted	3,326,000	6,674,000
<b>5. Detroit Transition Grant</b>	<b>Gross</b>	<b>\$7,000,000</b>	<b>(\$7,000,000)</b>
Eliminates \$7.0 million grant to Detroit Public Schools which was to assist with transition from Reform Board to Elected School Board.	Restricted	7,000,000	(7,000,000)

**SCHOOL AID**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>6. Intermediate School Districts (ISDs) General Operations</b>	<b>Gross</b>	<b>\$77,702,100</b>	<b>\$2,753,400</b>
Increases general operations funding by 2.9% or \$2.3 million and adds an additional \$500,000 to develop expanded professional development opportunities for teachers to update and expand their knowledge and skills needed to support the core content standards and curriculum requirements.	Restricted	77,702,100	2,753,400
<b>7. Engineering Michigan's Future</b>	<b>Gross</b>	<b>\$3,850,000</b>	<b>(\$3,850,000)</b>
Eliminates this program and transfers the funding to the middle school after school program.	Restricted	3,850,000	(3,850,000)
<b>8. Adult Education Funding</b>	<b>Gross</b>	<b>\$21,000,000</b>	<b>\$4,000,000</b>
Increases funds for adult education programs by \$4.0 million to a total of \$25.0 million. Funds for existing programs are increased to 125% of FY 2005-06 amount.	Restricted	21,000,000	4,000,000
<b>9. Center for Education and Performance (CEPI)</b>	<b>Gross</b>	<b>\$5,543,200</b>	<b>\$2,500,000</b>
Increases funding by \$2.5 million GF/GP to \$4.5 million for the continued development and implementation of a comprehensive data management and student tracking system.	Federal	3,543,200	0
	GF/GP	\$2,000,000	\$2,500,000
<b>10. Court-Placed Pupils</b>	<b>Gross</b>	<b>\$8,000,000</b>	<b>\$2,000,000</b>
Increases funding by \$2.0 million to a total of \$10.0 million.	Restricted	8,000,000	2,000,000
<b>11. Michigan Virtual High School (MVHS)</b>	<b>Gross</b>	<b>\$5,000,000</b>	<b>\$1,525,000</b>
Increases funding by \$1.0 million GF/GP to provide online test preparation resources for students, and \$525,000 in school aid funds for a career exploration and planning tool to be available to all students at no cost.	Federal	3,250,000	0
	Restricted	0	525,000
	GF/GP	\$1,750,000	\$1,000,000
<b>12. Math and Science Centers</b>	<b>Gross</b>	<b>\$6,956,000</b>	<b>\$1,000,000</b>
Provides increase of \$1.0 million restricted funds for math and science centers to provide additional funds to centers able to provide curriculum and professional development support to assist districts in implementing the core curriculum.	Federal	4,456,000	0
	Restricted	2,500,000	1,000,000
<b>13. Declining Enrollment</b>	<b>Gross</b>	<b>N/A</b>	<b>\$50,000,000</b>
Includes \$50.0 million for declining enrollment grants to local districts (not including charters) with two years of consecutive pupil membership decline; payment would equal district's three-year pupil membership average minus actual pupil membership times district's foundation allowance. If insufficient funds are available, funding will be prorated.	Restricted	N/A	50,000,000
<b>14. Elementary Math and Reading Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$10,000,000</b>
Adds funds for competitive grants to districts for math and reading literacy programs in grades K to 3; priority is to districts that did not achieve math or reading AYP for two of the last three school years.	Restricted	N/A	10,000,000
<b>15. Middle School After School Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$15,000,000</b>
Adds \$15.0 million for competitive grants to districts to implement, expand, or enhance middle school after school programs in math, science, and computer technology; priority given to districts with 50% or more poverty rate, buildings with 30% or more students eligible for free or reduced lunch, and buildings that did not achieve AYP for two of the last three school years in math or science.	Restricted	N/A	15,000,000

**SCHOOL AID****Executive  
Change****Major Budget Changes from FY 2005-06 YTD****FY 2005-06 YTD**

<b>16. Health/Science Middle College Program</b>	<b>Gross</b>	<b>N/A</b>	<b>\$5,000,000</b>
Includes new grant funds for ISDs or Detroit Public Schools in consortium with a community college and a hospital to create a middle college focused on health sciences.	Restricted	N/A	5,000,000
<b>17. ECIC Collaborative Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,000,000</b>
Provides new competitive grants to ISDs for creation of great start communities or other community purposes identified by the Early Childhood Investment Corporation (ECIC).	Restricted	N/A	1,000,000
<b>18. Vocational Education Curriculum Development</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,000,000</b>
Provides new competitive grants to ISDs, or consortiums of ISDs and community colleges to assist DOE and DLEG in developing new career and technical education curriculum.	Restricted	N/A	1,000,000
<b>19. FIRST (For Inspiration and Recognition of Science and Technology) Robotics Competition Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$2,000,000</b>
Adds grant funding for districts participating in the FIRST Robotics competition; applicants must have established a partnership with at least one sponsor, business entity, higher education institution, or technical school and must provide at least a 50% match from private or local funds.	Restricted	N/A	2,000,000
<b>20. MEAP Assessment Testing Costs</b>	<b>Gross</b>	<b>N/A</b>	<b>\$27,925,200</b>
Appropriates \$27.9 million for costs associated with elementary and high school assessments required under state and federal law (program was transferred from DOE).	Federal	N/A	8,425,200
	Restricted	N/A	19,500,000
<b>21. School Breakfast Program</b>	<b>Gross</b>	<b>N/A</b>	<b>\$9,625,000</b>
Provides \$9.6 million in school aid funds for the school breakfast program (program formerly funded in DOE with general funds).	Restricted	N/A	9,625,000
<b>22. Juvenile Detention Facility Programs</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,000,000</b>
Provides \$3.0 million to ISDs for pupils placed in juvenile justice service facilities operated by Department of Human Services (program formerly funded in Department of Human Services with general funds).	Restricted	N/A	3,000,000
<b>23. Hearing and Vision Screening</b>	<b>Gross</b>	<b>N/A</b>	<b>\$5,150,000</b>
Includes funding for state portion of hearing and vision screenings described in Section 9301 of the Public Health Code; a local public health department shall pay at least 50% of the total cost of the screenings (FY 2005-06 funding was \$2.5 million general funds in Department of Community Health).	Restricted	N/A	5,150,000
<b>24. Youth Challenge Program</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,253,100</b>
Provides \$1.25 million for the Youth Challenge program, formerly funded in Department of Military and Veterans Affairs (DMVA) with \$753,100 general funds; payment would go to Battle Creek School, which would contract with DMVA to ensure funding would continue for the Youth Challenge program.	Restricted	N/A	1,253,100
<b>25. School Bus Inspection</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,340,000</b>
Transfers \$1.3 million for school bus inspections from general funds in Department of State Police budget to school aid funds.	Restricted	N/A	1,340,000
<b>26. Pre-College Engineering Grants</b>	<b>Gross</b>	<b>N/A</b>	<b>\$680,100</b>
Transfers funding of two grants from DLEG to the School Aid Act.	Restricted	N/A	680,100

**SCHOOL AID**

**Major Boilerplate Changes from FY 2005-06**

**Sec. 6(4)(r). *Developmental Kindergarten* – DELETED**

Prohibits developmental kindergarten pupils being counted as pupil membership; Executive removes language.

**Sec. 6(7). *Pupil Membership Count Day* – REVISED**

Establishes count day; Executive changes count day from the 4th Wednesday in September to the 4th Wednesday after Labor Day.

**Sec. 18(2). *School Operations Budgets* – NEW**

Requires that districts make their board-approved annual operating budgets and any revisions available on their websites, or if the district does not have one, on their ISD's website.

**Sec. 20(1). *Basic Foundation Allowance* – REVISED**

Increases basic per-pupil foundation allowances by \$200, to \$7,075 for FY 2006-07. Executive proposes that \$25 of the increase be paid in FY 2005-06.

**Sec. 51a. *Special Education Itinerant Staff* – DELETED**

Allows funding that would otherwise lapse from this section to pay affected districts or ISDs on a FY 2003-04 basis for FY 2004-05 only; if sufficient excess funds are not available to pay on FY 2003-04 basis, then proration of the excess funds will occur on an equal percentage basis. Executive eliminates this language.

**Sec. 107. *Adult Education Program* – REVISED**

Provides for distribution of payments to districts for funding adult education students; Executive changes the distribution from 90% for enrollment and 10% for completion to 75% for enrollment and 25% for completion.

**Sec. 147. *MPSERS Contribution Subsidy* – REVISED**

Estimates percentage of payroll districts must allocate for public school employee retirement at 17.74%.

**FY 2006-07  
Budget Detail  
for**

**GENERAL GOVERNMENT**

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**Attorney General**

**Civil Rights**

**Civil Service**

**Executive**

**Information Technology**

**Legislature**

**Management and Budget**

**State**

**Treasury-Operations**

**Treasury-Revenue Sharing/Debt Service**

**Summary: Executive Budget Recommendation  
ATTORNEY GENERAL  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$13,408,400	\$13,914,300	\$505,900	3.8
<b>Federal</b>	8,799,400	10,236,500	1,437,100	16.3
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	11,011,400	11,259,500	248,100	2.3
<b>GF/GP</b>	31,501,200	32,896,000	1,394,800	4.4
<b>Gross</b>	<b>\$64,720,400</b>	<b>\$68,306,300</b>	<b>\$3,585,900</b>	<b>5.5</b>
<b>FTEs</b>	566.0	563.0	(3.0)	(0.5)

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Attorney General serves as legal counsel for state departments, agencies, boards, commissions, and their officers, brings actions and intervenes in cases on the state's behalf, and represents legislators and judges who may be sued while acting in their official capacities. The Attorney General issues opinions on questions of law submitted by members of the Legislature and others, serves as chief law enforcement officer of the state, and has supervisory powers over all local prosecuting attorneys. The Department's mission is to protect the common legal rights of citizens, defend the Constitution and the laws of the state, and represent the legal interests of government. The Department's goals are to make the state a safe place for its citizens, offer justice to the victims of crime, defend common natural resources and monetary assets of the state, and deliver excellent legal services at a minimum cost to tax payers.

**Major Budget Changes from FY 2005-06 YTD**

		FY 2005-06 YTD	Executive Change
<b>1. Increased Federal Funding</b>	<b>Gross</b>	<b>\$5,512,100</b>	<b>\$1,027,700</b>
Allows Department to receive additional federal grant funds for child support enforcement (\$450,000), Medicaid fraud control (\$510,700), and domestic violence prosecution (\$67,000).	Federal	5,512,100	1,027,700
<b>2. Fund Source Adjustments</b>	<b>Gross</b>	<b>\$3,227,700</b>	<b>(\$666,300)</b>
Eliminates Real Estate Enforcement Fund revenue based on a lack of services to be provided (\$226,000) and Corporate Fees and Security Fees revenue due to charges for services provided being funded from IDG from DLEG (\$140,300); reduces IDG from MDOT State Trunkline Fund to align authorization with what Department expects to receive (\$300,000).	IDG	2,861,400	(300,000)
	Restricted	366,300	(366,300)
<b>3. Fund Source Shift</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Reduces GF/GP; offsets reduction with increased IDG from DHS and state restricted funds from Liquor Purchase Revolving Fund and Oil and Gas Privilege Fee Fund.	IDG	N/A	140,000
	Restricted	N/A	60,000
	GF/GP	N/A	(\$200,000)
<b>4. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,224,500</b>
Adds funding for salary and wage, insurance, and retirement costs; reduces funding for building occupancy charges.	IDG	N/A	665,900
	Federal	N/A	409,400
	Restricted	N/A	554,400
	GF/GP	N/A	\$1,594,800

**Major Boilerplate Changes from FY 2005-06**

***Sec. 301. Contingency Funding – NEW***

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

***Sec. 307. Carry Forward of Recovery Revenue – REVISED***

Authorizes unobligated antitrust enforcement revenue, securities fraud revenue, consumer protection or class action enforcement revenue, or attorney fees recovered by the Department, up to \$1.0 million, to be carried forward and available for appropriation in the next fiscal year. Executive authorizes up to \$250,000 to be carried forward.

***Sec. 309. Carry Forward of Prisoner Reimbursement Revenue – DELETED***

Authorizes unexpended prisoner reimbursement revenue, up to \$500,000, to be carried forward.

***Sec. 310. Child Support Enforcement Funding – DELETED***

Requires Department of Human Services to maintain a cooperative agreement with Department of Attorney General for federal Title IV-D funding for child support enforcement activities; authorizes access for Attorney General to information used to locate parents who fail to pay court ordered support.

**Summary: Executive Budget Recommendation  
CIVIL RIGHTS  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	1,049,800	1,566,200	516,400	49.2
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	0	0	0	0.0
<b>GF/GP</b>	12,108,700	12,454,000	345,300	2.9
<b>Gross</b>	<b>\$13,158,500</b>	<b>\$14,020,200</b>	<b>\$861,700</b>	<b>6.5</b>
<b>FTEs</b>	141.0	141.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Michigan Civil Rights Commission is charged with investigating alleged discrimination against any person because of religion, race, color, or national origin and is directed to "secure the equal protection of such civil rights without such discrimination." The Michigan Department of Civil Rights serves as the administrative arm charged with implementing policies of the Commission. The Department provides educational programs that promote voluntary compliance with civil rights laws, investigates and resolves discrimination complaints, and provides information and services to businesses on equal employment laws and other civil rights areas.

**Major Budget Changes from FY 2005-06 YTD**

		FY 2005-06 YTD	Executive Change
<b>1. Increased Federal Funding</b>	<b>Gross</b>	<b>\$1,049,800</b>	<b>\$516,400</b>
Allows Department to receive additional federal grant funds from the Equal Employment Opportunity Commission (\$374,800) and the United States Department of Housing and Urban Development (\$141,600).	Federal	1,049,800	516,400
<b>2. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$366,300</b>
Adds funding for salary and wage, insurance, retirement, and workers' compensation premium costs.	GF/GP	N/A	\$366,300
<b>3. Human Resources Optimization Project</b>	<b>Gross</b>	<b>\$29,500</b>	<b>(\$21,000)</b>
Reduces funding to more accurately reflect Department's portion of Human Resources Optimization user charges.	GF/GP	\$29,500	(\$21,000)

**Major Boilerplate Changes from FY 2005-06**

**Sec. 401. Contingency Funding – NEW**

Appropriates federal contingency funding that can be expended only upon legislative transfer to a specific line item.

**Summary: Executive Budget Recommendation  
CIVIL SERVICE  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$5,670,900	\$5,788,100	\$117,200	2.1
<b>Federal</b>	4,779,100	4,779,100	0	0.0
<b>Local</b>	1,700,000	1,700,000	0	0.0
<b>Private</b>	150,000	150,000	0	0.0
<b>Restricted</b>	16,539,200	17,157,500	618,300	3.7
<b>GF/GP</b>	7,102,400	6,972,400	(130,000)	(1.8)
<b>Gross</b>	<b>\$35,941,600</b>	<b>\$36,547,100</b>	<b>\$605,500</b>	<b>1.7</b>
<b>FTEs</b>	240.5	240.5	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Civil Service is responsible for implementing policies established by the Civil Service Commission. The Department administers a statewide merit system that provides classified job opportunities within state government, including administering competitive examinations for classified positions, setting pay scales, administering employee benefits, and administering the Civil Service Commission's Employment Relations Policy. The Department also maintains ongoing statewide recruitment.

**Major Budget Changes from FY 2005-06 YTD**

		<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>1. Administrative Efficiency Reductions</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$355,100)</b>
Reduces GF/GP by \$355,100; savings anticipated to be generated through administrative efficiencies.	GF/GP	N/A	(\$355,100)
<b>2. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$976,600</b>
Adds funding for salary and wage, insurance, and retirement costs;	IDG	N/A	117,200
reduces funding for workers' compensation premium costs and building occupancy charges.	Restricted	N/A	628,300
	GF/GP	N/A	\$231,100
<b>3. Human Resources Optimization Project</b>	<b>Gross</b>	<b>\$29,700</b>	<b>(\$16,000)</b>
Reduces funding to more accurately reflect Department's portion of Human Resources Optimization user charges.	Restricted	19,700	(10,000)
	GF/GP	\$10,000	(\$6,000)

**Major Boilerplate Changes from FY 2005-06**

**Sec. 501. Contingency Funding – NEW**

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

**EXECUTIVE**

**Summary: Executive Budget Recommendation  
EXECUTIVE  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	0	0	0	0.0
<b>GF/GP</b>	5,375,500	5,375,500	0	0.0
<b>Gross</b>	<b>\$5,375,500</b>	<b>\$5,375,500</b>	<b>\$0</b>	<b>0.0</b>
<b>FTEs</b>	84.2	84.2	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Executive Office budget provides funding for the Governor, the Lieutenant Governor, and their staffs. Divisions within the Governor's Office include: Legal, Operations, Community-Based Initiatives, Appointments, Constituent Services, Policy, Communications, Legislative Affairs, Scheduling, Special Projects, and the Governor's Washington D.C. Office, Southeastern Michigan Office, and Upper Peninsula Office.

**Major Budget Changes from FY 2005-06 YTD**

None

**Major Boilerplate Changes from FY 2005-06**

None

**Summary: Executive Budget Recommendation  
INFORMATION TECHNOLOGY  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$365,194,400	\$378,422,000	\$13,227,600	3.6
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	0	0	0	0.0
<b>GF/GP</b>	0	0	0	0.0
<b>Gross</b>	<b>\$365,194,400</b>	<b>\$378,422,000</b>	<b>\$13,227,600</b>	<b>3.6</b>
<b>FTEs</b>	1,766.4	1,781.4	15.0	0.8

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Information Technology (DIT) acts as a general contractor between the state's information technology users and private sector providers of information technology (IT) products and services. The Department's services include application development and maintenance; desktop, mainframe, server and local area network computer support and management; contract, project, and procurement planning; telecommunication services; security; and software and software licensing. The Department utilizes existing technology funding and state employees from within the other 19 executive branch departments and agencies; each state department and agency requests spending authority to fund information technology-related activities and pays for technology services rendered by the Department of Information Technology through an interdepartmental grant. Administration of fund sources remains with each agency.

**Major Budget Changes from FY 2005-06 YTD**

		<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>1. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$7,176,600</b>
Adds funding for salary and wage, insurance, and retirement costs and for building occupancy charges.	IDG	N/A	7,176,600
<b>2. Program Enhancements</b>	<b>Gross</b>	<b>N/A</b>	<b>\$8,369,300</b>
Reflects appropriations for program enhancements made in other department budgets: \$5.5 million for Department of Human Services Integrated Service Delivery Project, \$1.1 million for Department of State Business Application Modernization Project, \$1.0 million for Department of State Police Michigan Public Safety Communications System, \$399,900 for Department of Community Health Social Security Administration Electronic Death Registry System, and \$370,000 for Department of Management and Budget Social Security Privacy Act.	IDG	N/A	8,369,300

**INFORMATION TECHNOLOGY**

**Major Budget Changes from FY 2005-06 YTD**

	<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>Gross</b>	<b>N/A</b>	<b>(\$1,863,000)</b>
<b>IDG</b>	<b>N/A</b>	<b>(1,863,000)</b>

**3. Base Adjustments**

Adds: \$17.0 million to align DIT's IDGs with enacted IT appropriations in other department budgets; \$3.2 million for Department of Management and Budget for on-going maintenance costs of state's retirement system; \$1.8 million for Department of Corrections for conversion of modules, server replacements, and desktop maintenance.

Removes: \$17.8 million one-time appropriation from Department of Human Services (DHS) Child Support Arrearage Program; \$3.9 million from DHS as a result of contract and other IT-related savings; \$1.1 million from Department of State Police due to expiration of Commercial Vehicle Information Systems Network grant; \$1.0 million one-time appropriation from DMB e-Procurement Project. Adjustments made to more accurately reflect appropriations for information technology services and projects in other department budgets.

**Major Boilerplate Changes from FY 2005-06**

**Sec. 573. Sale of Paid Advertising – REVISED**

Authorizes Department to sell and accept paid advertising; requires revenue received to be used for operating costs and future technology enhancements; limits amount of revenue that can be received to \$250,000; appropriates and allots funding received; requires a privacy policy to be adopted; and requires a report on amount of revenue received from sale of paid advertising and total of advertising transactions. Executive deletes \$250,000 limit; authorizes receipt of gifts, donations, contributions, bequests, and grants; deletes privacy policy requirement; and authorizes any unexpended funding to be carried forward.

**Sec. 577. Michigan Public Safety Communications System – REVISED**

Specifies distribution of Michigan Public Safety Communications System funding. Executive includes authorization for unencumbered funds to be carried forward.

**Sec. 578. Report on Appropriations and Expenditures – DELETED**

Requires Department to report amount of funding appropriated for IT services and projects, by funding source, for all state departments; requires a list of expenditures made from funding received.

**Sec. 579. Report on Life-Cycle of Hardware and Software – DELETED**

Requires Department to submit a report which analyzes and makes recommendations on the life-cycle of IT hardware and software.

**Sec. 581. Contingency Funding – NEW**

Appropriates IDG funding that can be expended only upon legislative transfer to a specific line item.

**Sec. 585. Child Support Enforcement System Report – DELETED**

Requires Department to report the amount of funding expended for Child Support Enforcement System; report is to include information on the original start and completion dates for the project, original cost to complete the project, a list of all revisions to project completion dates and costs, and the total amount paid to the federal government for penalties.

**Summary: Executive Budget Recommendation**  
**LEGISLATURE**  
**FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$2,301,500	\$2,301,500	\$0	0.0
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	400,000	400,000	0	0.0
<b>Restricted</b>	2,356,500	2,356,500	0	0.0
<b>GF/GP</b>	124,673,900	124,673,900	0	0.0
<b>Gross</b>	<b>\$129,731,900</b>	<b>\$129,731,900</b>	<b>\$0</b>	<b>0.0</b>
<b>FTEs</b>	0.0	0.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Legislature budget provides funding for the Legislative branch of state government, including the Legislative Council and agencies it governs, Office of the Auditor General, Legislative Retirement System, and Property Management. The Legislative Council provides a wide variety of essential services to members and staff of the Legislature; the Office of the Auditor General is responsible for conducting financial and performance audits of state government operations; the Michigan Legislative Retirement System provides retirement allowances, survivors' allowances, and other benefits for members of the Legislature and their spouses, dependents, survivors, and beneficiaries; and Property Management employees maintain, operate, and repair the Capitol Building, House of Representatives Office Building, and Farnum Building.

**Major Budget Changes from FY 2005-06 YTD**

None

**Major Boilerplate Changes from FY 2005-06**

None

**Summary: Executive Budget Recommendation  
MANAGEMENT AND BUDGET  
FY 2006-07**

**Analyst: Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$153,786,800	\$155,293,500	\$1,506,700	1.0
<b>Federal</b>	0	0	0	0.0
<b>Local</b>	0	0	0	0.0
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	42,909,400	67,438,900	24,529,500	57.2
<b>GF/GP</b>	35,217,900	273,409,600	238,191,700	676.3
<b>Gross</b>	<b>\$231,914,100</b>	<b>\$496,142,000</b>	<b>\$264,227,900</b>	<b>113.9</b>
<b>FTEs</b>	751.0	759.0	8.0	1.1

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Management and Budget (DMB) is the interdepartmental service and management agency responsible for ensuring proper financial record keeping for state agencies; managing capital outlay projects, state property, state purchasing programs, and the state's retirement systems; supervising the state motor vehicle fleet; and providing office support services to state agencies. The Office of the State Budget, housed within DMB, prepares, presents, and executes the state budget on behalf of the Governor. The Department has several autonomous units, including Office of the State Employer, Office of the Children's Ombudsman, and Office of Regulatory Reform.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Transfer of State Building Authority Rent</b>	<b>Gross</b>	<b>\$0</b>	<b>\$272,797,100</b>
Reflects transfer of State Building Authority (SBA) rent payments from Department of Treasury to DMB.	Restricted	0	16,795,000
	GF/GP	\$0	\$256,002,100
<b>2. SBA Rent Adjustments</b>	<b>Gross</b>	<b>\$0</b>	<b>(\$15,000,000)</b>
Reflects adjustments made for projected rent payments, consistent with anticipated rent payments for previously-constructed projects.	GF/GP	\$0	(\$15,000,000)
<b>3. Commercial Mobile Radio Suppliers Fund</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>
Allows the Department to receive additional state restricted revenue from the Commercial Mobile Radio Suppliers Fund; offsets GF/GP by a like amount. Funds will be used to pay SBA rent charges for Michigan State Police radio tower construction projects.	Restricted	0	3,300,000
	GF/GP	\$0	(\$3,300,000)
<b>4. Office of Retirement Services</b>	FTEs	127.5	13.0
Includes \$3.2 million for on-going maintenance costs of the state's retirement system, \$370,000 for implementation of Social Security Privacy Act, and 13.0 FTEs and \$350,000 for customer call center improvements.	<b>Gross</b>	<b>\$15,804,900</b>	<b>\$3,920,000</b>
	Restricted	15,804,900	3,920,000
<b>5. Michigan State Fair Operations</b>	<b>Gross</b>	<b>\$5,367,800</b>	<b>\$587,400</b>
Adjusts base appropriation to reflect actual ongoing operational expenses of the State Fair.	Restricted	5,367,800	587,400

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>6. Administrative Efficiency and Program Reductions</b>	FTEs	N/A	(6.0)
Reduces GF/GP by \$758,200; savings anticipated to be generated through staffing reductions, fund source shifts, real estate optimization, and changes to the ID Mail Delivery program.	<b>Gross</b>	<b>N/A</b>	<b>(\$492,000)</b>
	IDG	N/A	293,200
	Restricted	N/A	(27,000)
	GF/GP	N/A	(\$758,200)
<b>7. Building Occupancy Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$358,800</b>
Adds \$814,600 for increased utility costs and \$121,700 for rent adjustments for leased facilities. Reduces budget by \$577,500 due to closing the Baker-Olin building.	IDG	N/A	358,800
<b>8. e-Procurement Project</b>	<b>Gross</b>	<b>\$1,000,000</b>	<b>(\$1,000,000)</b>
Eliminates \$1.0 million one-time appropriation for the e-Procurement project; project has been completed (provides online, statewide, one-stop shop marketplace for purchasers; state can gather purchasing information for reporting purposes, collect and review government spending patterns to leverage better pricing, increase bidding process vendor competition, and consolidate workloads).	IDG	1,000,000	(1,000,000)
<b>9. Retirement Disaster Recovery Plan</b>	<b>Gross</b>	<b>\$500,000</b>	<b>(\$500,000)</b>
Eliminates \$500,000 one-time appropriation for Retirement Business Continuity/Disaster Recovery Plan; project has been completed (provides Office of Retirement Services with a plan to maintain core functional activities in event of a disaster; call center will function within 48 hours of a disaster and pension payments will be made to members within one week of a disaster).	Restricted	500,000	(500,000)
<b>10. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,193,100</b>
Adds funding for salary and wage, insurance, retirement, and rent cost; reduces funds for workers' compensation premium costs and building occupancy charges.	IDG	N/A	990,200
	Restricted	N/A	1,011,800
	GF/GP	N/A	\$1,191,100
<b>11. Human Resources Optimization Project</b>	<b>Gross</b>	<b>\$29,500</b>	<b>\$34,700</b>
Increases funding to more accurately reflect Department's portion of Human Resources Optimization user charges.	IDG	11,500	13,500
	Restricted	12,300	14,500
	GF/GP	\$5,700	\$6,700

**Major Boilerplate Changes from FY 2005-06**

**DEPARTMENT OF MANAGEMENT AND BUDGET**

***Sec. 701. Contingency Funding – NEW***

Appropriates federal, state restricted, and local contingency funding that can be expended only upon legislative transfer to a specific line item.

***Sec. 710. Revisions to Computer Contracts – DELETED***

Requires DMB to report any revisions that increase or decrease current computer contracts by more than \$500,000 at least 14 days prior to finalization of revisions.

***Sec. 715. Motor Vehicle Fleet – REVISED***

Specifies use of motor vehicle fleet appropriation; requires appropriation to be funded by revenue from rates charged to state departments; authorizes carry-forward of excess revenue to Motor Transport Fund; expresses legislative intent that DMB have authority to assign motor vehicles and determine feasibility of using driver record information when issuing state cars; requires DMB to develop a plan for the motor vehicle fleet and lists information to be included. Executive adds subsection authorizing Department to charge state agencies for fuel cost increases that exceed the average retail cost per gallon of unleaded gasoline, and deletes legislative intent that DMB have authority to assign motor vehicles and determine feasibility of using driver record information, and the report requirement.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 716. Purchasing From Michigan-Based Firms – DELETED***

Requires DMB to adopt policies and procedures necessary to provide a purchasing preference for products manufactured or services offered by Michigan-based firms.

***Sec. 717. Purchasing Decisions – DELETED***

Establishes guidelines for DMB to follow when determining whether a purchase, contract, or provision of supplies, materials, services, insurance, utilities, third party financing, equipment, printing, and other items needed by state departments is in the best interests of the state.

***Sec. 718. Vendor Disclosure (Information to Collect) – DELETED***

Lists information DMB is authorized to collect from vendors to ensure compliance with procurement of goods and services from Michigan-based providers.

***Sec. 719. Vendor Disclosure (Call Centers) – DELETED***

Authorizes DMB to require any vendor or subcontractor who provides call or contact center services to the state disclose the location from which the call or contact center services are being provided to inbound caller.

***Sec. 723. State Property – DELETED***

Requires DMB to make available to the public on the Internet a listing of all parcels of real estate that are available for purchase from the state.

**STATE BUILDING AUTHORITY**

***Sec. 725. Advances – NEW***

Authorizes advances from the general fund prior to the sale of bonds; transferred from Treasury; was Sec. 980.

***Sec. 726. Excess Revenue – NEW***

Requires facility revenue in excess of operation costs to be credited to the retirement of bonds; transferred from Treasury; was Sec. 981.

***Sec. 727. Insurance – NEW***

Authorizes appropriations to be used to pay insurance premiums and deductibles; appropriates any shortage from the general fund; transferred from Treasury; was Sec. 982.

***Sec. 728. Report – NEW***

Requires DMB to provide annual report on status of construction projects; transferred from Treasury; was Sec. 983.

**GENERAL SECTIONS**

***Sec. 212. Receipt and Retention of Copies of Required Reports – DELETED***

Requires departments to receive and retain copies of all reports required in the bill, and requires federal and state guidelines for short-term and long-term retention of records be followed.

***Sec. 215. Disciplinary Action Against State Employees – DELETED***

Prohibits departments from taking disciplinary action against employees for communicating with members of the Legislature and their staffs.

***Sec. 217. General Fund Restrictions – DELETED***

Prohibits use of general fund appropriations where federal funding is available for the same purpose.

***Sec. 218. Information Technology Appropriations as Work Projects – NEW***

Designates appropriations for IT as work project accounts; authorizes available balances to be carried forward.

***Sec. 219. Reduce Contractual Expenditures – DELETED***

Requires DMB to reduce statewide contractual general fund expenditures by \$30.0 million; requires a report which itemizes the sources of reductions.

***Sec. 220. Political Action Committees – DELETED***

Prohibits funding from being used to administer a committee or to solicit or obtain contributions for a committee.

# Summary: Executive Budget Recommendation

## STATE

### FY 2006-07

Analyst: Robin Risko

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$20,000,000	\$20,000,000	\$0	0.0
<b>Federal</b>	2,943,300	3,052,100	108,800	3.7
<b>Local</b>	0	0	0	0.0
<b>Private</b>	100	100	0	0.0
<b>Restricted</b>	160,937,200	162,608,600	1,671,400	1.0
<b>GF/GP</b>	13,497,800	19,132,700	5,634,900	41.7
<b>Gross</b>	<b>\$197,378,400</b>	<b>\$204,793,500</b>	<b>\$7,415,100</b>	<b>3.8</b>
<b>FTEs</b>	1,859.8	1,859.8	0.0	0.0

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

### Overview

The Department of State administers programs in four major areas: motor vehicle transactions (includes titling and registering vehicles), traffic safety (includes driver testing); consumer protection (includes inspecting and licensing automotive repair facilities); and regulation and administration of the state's electoral process (includes training local election officials and monitoring campaign finance).

### Major Budget Changes from FY 2005-06 YTD

		FY 2005-06 YTD	Executive Change
<b>1. Business Application Modernization Project</b>	<b>Gross</b>	N/A	<b>\$1,100,000</b>
Adds funding for continued development and implementation of the Business Application Modernization Project.	GF/GP	N/A	\$1,100,000
<b>2. Motorcycle Safety Grants</b>	<b>Gross</b>	<b>\$1,200,000</b>	<b>\$200,000</b>
Adds \$200,000 gross for Department to make grants to colleges, universities, intermediate school districts, local school districts, law enforcement agencies, and other governmental agencies in the state to help subsidize safety training courses for individuals interested in operating motorcycles.	Restricted	1,200,000	200,000
<b>3. Administrative Efficiency Reductions</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$365,900)</b>
Reduces GF/GP by \$365,900; savings anticipated to be generated through not filling vacant positions and other administrative efficiencies.	GF/GP	N/A	(\$365,900)
<b>4. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$6,481,000</b>
Adds funding for salary and wage, insurance, and retirement costs and for building occupancy charges; reduces funding for workers' compensation premium costs.	Federal	N/A	108,800
	Restricted	N/A	1,471,400
	GF/GP	N/A	\$4,900,800

### Major Boilerplate Changes from FY 2005-06

#### Sec. 801. Contingency Funding – NEW

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 815. Branch Office Closings or Consolidations – DELETED***

Requires Department, at least 60 days prior to announcement of branch office closings, consolidations, or relocations, to inform appropriations committees and legislators who represent affected areas; requires announcement be provided in written form and include all analyses done regarding criteria for changes in location of branches, to include branch transactions, revenue, and impact on citizens affected; and requires a detailed report which lists all closed offices and the associated savings and costs associated with new leased facilities and expanded current space.

***Sec. 815a. Strategies for Increasing Online Transactions – DELETED***

Requires Department to develop a project plan that includes new strategies for increasing the number of transactions completed online.

***Sec. 816. Credit or Debit Card Service Assessments – DELETED***

Appropriates service assessments collected by Department from credit or debit card users and authorizes them to be used for expenses related to providing services; limits charges by Department to not more than costs billable to Department; and authorizes any balance of service assessments received to be carried forward.

***Sec. 818. Motorcycle Safety Education Program – DELETED***

Requires funds appropriated for Motorcycle Safety Education Grants and Administration to be used for program operation; requires funds to be from license endorsements and registration and testing fees; authorizes funds for grants to help subsidize safety training courses for individuals interested in operating motorcycles; and authorizes funds to be used for administrative costs.

***Sec. 819. Business Application Modernization Project – DELETED***

Requires funds appropriated for the Business Application Modernization project to be used for development, implementation, and maintenance of the business application modernization project; designates unexpended funds as a work project account and authorizes unexpended funding to be carried forward.

***Sec. 820. Feasibility of Branch Office Relocation – DELETED***

Requires Department to explore the feasibility of locating the Keweenaw County Secretary of State branch office with the Keweenaw County Department of Human Services office.

**Summary: Executive Budget Recommendation**  
**TREASURY**  
**FY 2006-07**

**Analyst: Viola Bay Wild and Robin Risko**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$13,456,400	\$13,926,800	\$470,400	3.5
<b>Federal</b>	35,405,400	83,593,300	48,187,900	136.1
<b>Local</b>	1,025,400	1,066,200	40,800	4.0
<b>Private</b>	0	700,000	700,000	N/A
<b>Restricted</b>	1,454,816,100	1,403,832,800	(50,983,300)	(3.5)
<b>GF/GP</b>	367,285,500	170,867,000	(196,418,500)	(53.5)
<b>Gross</b>	<b>\$1,871,988,800</b>	<b>\$1,673,986,100</b>	<b>(\$198,002,700)</b>	<b>(10.6)</b>
<b>FTEs</b>	<b>1,700.5</b>	<b>1,858.5</b>	<b>158.0</b>	<b>9.3</b>

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006. FY 2006-07 figures include Michigan Strategic Fund transfer from DLEG and State Building Authority Rent payments transfer to DMB.

### Overview

The Department of Treasury is the chief fiscal agency of the state and the primary source of advice to the Governor on tax and fiscal policy issues. The Department's mission is to collect state taxes, to invest, control, and disburse state monies, and to protect the state's credit rating and that of its cities. The Department manages one of the nation's largest pension funds, administers revenue sharing, and administers the student financial aid programs. It also investigates fraudulent financial activity, provides assistance on all property tax-related issues, advises issuers of municipal obligations, and lends funds to local units of government in fiscal distress through the Emergency Loan Board.

### Major Budget Changes from FY 2005-06 YTD

		FY 2005-06 YTD	Executive Change
<b>TREASURY OPERATIONS</b>			
<b>1. Transfer of State Building Authority Rent</b>	<b>Gross</b>	<b>\$272,797,100</b>	<b>(\$272,797,100)</b>
Reflects transfer of State Building Authority (SBA) rent payments from Department of Treasury to DMB.	Restricted	16,795,000	(16,795,000)
	GF/GP	\$256,002,100	(\$256,002,100)
<b>2. Transfer of Michigan Strategic Fund (MSF)</b>	FTE	0.0	152.0
Reflects transfer of MSF from DLEG to the Department of Treasury under 2005 PA 225; MSF programs and funds are administered by Michigan Economic Development Corporation (MEDC).	<b>Gross</b>	<b>\$0</b>	<b>\$80,479,800</b>
	IDG	0	78,600
	Federal	0	47,687,000
	Private	0	700,000
	Restricted	0	5,000
	GF/GP	\$0	\$32,009,200
<b>3. MEDC Economics</b>	<b>Gross</b>	<b>\$0</b>	<b>\$819,700</b>
Funds 3.5% contractual pay increases, 6.4% increase in employee benefits, increases in retirement, building occupancy for space in state-owned buildings, and self-insured worker's compensation. (Richard Child, Analyst)	Federal	0	89,200
	GF/GP	\$0	\$730,500
<b>4. Transfer of Pari-Mutuel Audits</b>	<b>Gross</b>	<b>\$240,000</b>	<b>(\$240,000)</b>
Reflects transfer of Pari-Mutuel Audit program to Office of Racing Commissioner in Department of Agriculture; program conducts audits of pari-mutuel betting at state horse racing tracks.	Restricted	240,000	(240,000)

**TREASURY**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>5. Transfer of MEAP Test Center Operations</b>	FTE	1.0	(1.0)
Reflects transfer of MEAP Test Center operations program and 1.0 FTE to Department of Education.	<b>Gross</b>	<b>\$115,000</b>	<b>(\$115,000)</b>
	Restricted	115,000	(115,000)
<b>6. Telephone/Telegraph Real Property Appraisals</b>	FTE	0.0	15.0
Funds new program in Supervision of the General Property Tax Law line item to assess telephone and telegraph company real property; 2002 PA 610 requires such assessments to be made in the same manner as other property in the state; properties are currently assessed and taxed by State Board of Assessors.	<b>Gross</b>	<b>\$0</b>	<b>\$2,000,000</b>
	GF/GP	\$0	\$2,000,000
<b>7. Investment Management</b>	FTE	N/A	3.0
Increases investment staff in Long Term Fixed Income, Alternative Investments, and Real Estate Assets Management to increase due diligence on investments.	<b>Gross</b>	<b>N/A</b>	<b>\$375,000</b>
	Restricted	N/A	375,000
<b>8. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$8,219,100</b>
Adds funding for salary and wage, insurance, retirement, and building occupancy costs.	IDG	N/A	391,800
	Federal	N/A	590,100
	Local	N/A	40,700
	Restricted	N/A	4,903,500
	GF/GP	N/A	\$2,293,000
<b>REVENUE SHARING</b>			
<b>9. Constitutional Revenue Sharing</b>	<b>Gross</b>	<b>\$692,550,000</b>	<b>\$15,530,000</b>
Increases funds for constitutional revenue sharing payments to cities, villages, and townships from FY 2005-06 appropriation.	Restricted	692,550,000	15,530,000
<b>10. Statutory Revenue Sharing</b>	<b>Gross</b>	<b>\$423,350,000</b>	<b>(\$18,030,000)</b>
Reduces funding for statutory revenue sharing payments to cities, villages, and townships.	Restricted	423,350,000	(18,030,000)
<b>11. Special Census Revenue Sharing Payments</b>	<b>Gross</b>	<b>\$500,000</b>	<b>\$349,400</b>
Increases funds for special census revenue sharing payments to be prorated among qualifying local units of government.	GF/GP	\$500,000	\$349,400
<b>DEBT SERVICE AND GRANTS</b>			
<b>12. Debt Service</b>	<b>Gross</b>	<b>\$89,001,400</b>	<b>\$11,156,800</b>
Adds \$14.0 million gross and GF/GP for required debt service payments for Clean Michigan Initiative bond; reduces total debt service payment on Quality of Life bond by \$4.2 million and adds \$8.0 million GF/GP (reflects \$8.0 million fund source shift from restricted Cleanup and Development Funds to GF/GP); reduces payments for Water Pollution Control bond by \$134,200 gross and GF/GP; adds \$1.5 million gross and GF/GP for a new bond issue program, the Great Lakes Water Quality Bond.	Restricted	36,114,500	(12,200,000)
	GF/GP	\$52,886,900	\$23,356,800
<b>13. Grants</b>	<b>Gross</b>	<b>\$53,708,000</b>	<b>(\$21,953,000)</b>
Adds \$900,000 gross and GF/GP for Senior Citizen Cooperative Housing Tax Exemption Program; increases Qualified Agricultural Loan payments by \$290,000 gross and GF/GP; adds \$362,000 gross and GF/GP for Renaissance Zone Reimbursement payments to libraries for lost property tax revenue associated with renaissance zones; reduces grants to counties in lieu of taxes by \$5,000 gross and GF/GP; decreases Commercial Mobile Radio Service payments for local wireless 911 emergency response services by \$23.5 million gross (program sunsets on December 31, 2006; funded only for the first three months in FY 2006-07).	Restricted	31,320,000	(23,500,000)
	GF/GP	\$22,388,000	\$1,547,000

**Major Boilerplate Changes from FY 2005-06**

**DEPARTMENT OF TREASURY**

***Sec. 901. Contingency Funding – NEW***

Appropriates federal, state restricted, local, and private contingency funding that can be expended only upon legislative transfer to a specific line item.

***Sec. 905. Financial Services Expenditure Appropriation – NEW***

Appropriates funds to pay for financial services provided by financial institutions through restricting revenue from common cash interest earnings and investment earnings.

***Sec. 943. Social Security Numbers on Mailings – DELETED***

Prohibits Department from printing complete social security numbers on 1099 mailings.

***Sec. 944. Homestead Property and Home Heating Credit e-filing – DELETED***

Requires Department to develop pilot application for online credit only filing system for homestead property exemption and home heating credit filers.

***Sec. 947. Audit Enhancements – DELETED***

Requires that of \$6.6 million in part 1 for Revenue Enhancement Program, \$5.8 million be used for revenue enhancement collection (including auditing functions) and \$750,000 for principal residence audits; excepting current contracts, the \$5.8 million shall fund activities performed by state employees only. Requires quarterly progress reports for personal property tax audit and principal residence audit programs and a joint General Government subcommittee hearing regarding personal property tax audits and a performance audit of principal residence audit program by legislative Auditor General.

***Sec. 948. Electronic Income Tax Filing – DELETED***

Requires Department to develop strategic plan to provide for free electronic filing of all tax returns, including, but not limited to, state income tax and single business tax returns.

**LOTTERY**

***Sec. 962. Use of Professional or Amateur Athletes in Advertising – DELETED***

Prohibits Bureau of State Lottery from using professional or amateur sports figures with the lottery or its products with the exception of NASCAR drivers promoting instant ticket products.

***Sec. 963. DHS Bridge Card Use Notification – DELETED***

Requires Bureau of State Lottery to notify retailers that DHS bridge cards cannot be used to purchase lottery tickets.

**MICHIGAN STRATEGIC FUND**

***Sec. 1001–1012. Michigan Strategic Fund (MSF) – NEW***

Reflects transfer of MSF (an autonomous agency) programs to Department of Treasury under 2005 PA 225; MSF programs are administered by Michigan Economic Development Corporation. (Richard Child, Analyst)

***Secs. 528–529\* Legislative Oversight Requirements – DELETED***

Requires that MEDC work with the Office of Auditor General to develop and implement procedures to audit the numbers of jobs claimed to be created by MEDC grant recipients; requires report on the number of MEDC employees with an annual salary in excess of \$80,000, including their job title and duties.

*\*Sections appeared in FY 2005-06 appropriations bill for Department of Labor and Economic Growth. (Richard Child, Analyst)*



**FY 2006-07  
Budget Detail  
for  
HUMAN SERVICES**

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**Community Health  
Corrections  
Human Services**

**Summary: Executive Budget Recommendation  
COMMUNITY HEALTH  
FY 2006-07**

**Analysts: Margaret Alston, Sue Frey, Steve Stauff**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$34,090,000	\$37,286,100	\$3,196,100	9.4
<b>Federal</b>	5,533,597,400	6,103,178,000	569,580,600	10.3
<b>Local</b>	231,524,400	241,177,400	9,653,000	4.2
<b>Private</b>	59,073,800	61,326,900	2,253,100	3.8
<b>Restricted</b>	1,516,009,000	1,817,312,800	301,303,800	19.9
<b>GF/GP</b>	2,951,899,400	3,001,975,800	50,076,400	1.7
<b>Gross</b>	<b>\$10,326,194,000</b>	<b>\$11,262,257,000</b>	<b>\$936,063,000</b>	<b>9.1</b>
<b>FTEs</b>	4,674.6	4,671.1	(3.5)	(0.1)

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Community Health (DCH) budget provides funding for a wide range of mental health, substance abuse, public health, and medical services programs including Medicaid. Established in 1996, the Department also includes the Office of Drug Control Policy, the Office of Services to the Aging, the Crime Victim Services Commission, and health policy/regulatory functions.

**Major Budget Changes from FY 2005-06 YTD**

**1. Economic Adjustments**

Includes \$30.8 million gross (\$14.4 million GF/GP) to fund 3.5% salary and wage increases for non-bargaining and unionized employees, and economic adjustments for defined benefit and contribution retirement, insurance, building occupancy, food, worker's compensation, and fuel and utility costs for FY 2006-07.

	FY 2005-06 YTD	Executive Change
<b>Gross</b>	<b>N/A</b>	<b>\$30,775,500</b>
IDG	N/A	2,754,300
Federal	N/A	4,626,700
Local	N/A	7,226,800
Private	N/A	5,700
Restricted	N/A	1,772,700
GF/GP	N/A	\$14,389,300

**2. Rent Increase**

Adds \$2.4 million gross (all GF/GP) to Rent and Building Occupancy line item for rental space in Capitol View (Boji) and Washington Square buildings.

<b>Gross</b>	<b>\$4,544,300</b>	<b>\$2,411,800</b>
Federal	1,762,500	0
Private	35,900	0
Restricted	177,000	0
GF/GP	\$2,568,900	\$2,411,800

**3. Family Support Subsidy Program**

Increases funding for Family Support Subsidy by \$1.1 million anticipating a caseload growth of 5.5% over FY 2005-06 level. Monthly payment of \$222.11 will continue for income-eligible families with a child under 18 living at home who is severely mentally impaired, severely multiply impaired, or autistic.

<b>Gross</b>	<b>\$17,935,000</b>	<b>\$1,101,000</b>
Federal	17,935,000	1,101,000

**Major Budget Changes from FY 2005-06 YTD**

	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>4. <i>Carve In of Anti-Psychotic Pharmaceutical Costs</i></b>	<b>Gross \$1,577,446,000</b>	<b>\$9,485,100</b>
Transfers anti-psychotic pharmaceutical costs of \$149.1 million gross (\$65.1 million GF/GP) to capitation payments for prepaid inpatient health plans (PIHPs), with the expectation of capturing an additional \$9.5 million in quality assurance assessment program (QAAP) revenue and \$5.3 million in federal Medicaid revenue, and saving \$5.3 million GF/GP.	Federal 892,676,600	5,347,700
	Local 26,072,100	0
	Restricted 94,692,400	9,485,100
	GF/GP \$564,004,900	(\$5,347,700)
<b>5. <i>Actuarially Sound Capitation Rates</i></b>	<b>Gross \$3,546,870,800</b>	<b>\$87,951,800</b>
Increases capitation payment rates for Health Plan Services by 5.0% and Medicaid Mental Health and Substance Abuse Services by 2.0% (\$88.0 million gross, \$38.4 million GF/GP) to ensure rates are actuarially sound in FY 2006-07.	Federal 2,013,657,500	49,587,200
	Local 29,737,100	0
	Restricted 395,317,800	0
	GF/GP \$1,108,158,400	\$38,364,600
<b>6. <i>Medicaid Certification of Mt. Pleasant Center</i></b>	<b>Gross \$38,780,500</b>	<b>\$3,006,800</b>
Adds 44.0 FTEs and \$3.0 million to Mt. Pleasant Center to ensure the facility is in compliance with federal Medicaid certification standards. In FY 2004-05, \$1.6 million was added to facility's funding for hiring 39.0 direct care staff to maintain certification.	Federal 15,342,700	1,191,900
	Local 22,729,200	1,766,300
	Restricted 708,600	48,600
<b>7. <i>Background Criminal History Check</i></b>	<b>Gross \$2,571,700</b>	<b>\$2,600,000</b>
Authorizes 3.0 FTEs and \$2.6 million of a multi-year \$5.0 million federal grant to establish a Criminal History Check Program on employees of certain health facilities as a pilot.	Federal 631,700	2,600,000
	Restricted 682,600	0
	GF/GP \$1,257,400	\$0
<b>8. <i>Local Public Health Hearing and Vision Screening</i></b>	<b>Gross \$2,575,000</b>	<b>\$2,575,000</b>
Restores Local Public Health Operations hearing screening and vision services provided by local health departments to schools to FY 2004-05 full funding level of \$5.15 million. New School Aid Fund monies for this program will be cycled back through DCH by the school districts. Local health departments will continue to provide screenings in schools under contract with DCH.	Local 0	5,150,000
	GF/GP \$2,575,000	(\$2,575,000)
<b>9. <i>Public Health Prevention Block Grant</i></b>	<b>Gross \$5,617,500</b>	<b>(\$1,083,500)</b>
Reflects 19.3% reduction of ongoing federal Preventive Health and Health Services Block Grant, affecting the following public health prevention programs: minority health grants, emergency medical services grants, primary care services, AIDS counseling and testing, sexually transmitted disease control local agreements, laboratory services, Alzheimer's information network, chronic disease prevention, diabetes and kidney program, and pregnancy prevention program.	Federal 5,617,500	(1,083,500)
<b>10. <i>Drug Control Policy Federal Grants</i></b>	<b>Gross \$28,216,200</b>	<b>(\$9,861,200)</b>
Reduces funding by \$9.9 million for drug control grants and programs including law enforcement support, drug abuse prevention education, and residential substance abuse treatment programs to reflect declining federal grant funds.	Federal 28,216,200	(9,861,200)
<b>11. <i>Medicaid Caseload, Utilization, and Inflation</i></b>	<b>Gross \$7,889,332,000</b>	<b>\$244,610,900</b>
Adds \$244.6 million gross (\$133.6 million GF/GP) of Medicaid base adjustments for projected expenditure trends related to inflation, caseload, and utilization growth. Adjustments occur in Medical Services, Substance Abuse, Mental Health and Children's Special Health Care Services (CSHCS) programs.	Federal 4,505,636,700	111,046,700
	Local 43,009,700	0
	Merit Awd 50,300,000	0
	Tobacco 63,100,000	0
	Restricted 1,183,672,200	0
	GF/GP \$2,043,613,400	\$133,564,200

**COMMUNITY HEALTH**

<b>Major Budget Changes from FY 2005-06 YTD</b>	<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>12. Michigan First Healthcare Plan</b>	<b>Gross</b>	<b>\$0</b>
Adds \$200.0 million of anticipated federal funds that will be used to match existing Michigan funds to create Michigan First Healthcare Plan, a plan to extend basic, low-cost health insurance coverage to 550,000 uninsured Michigan residents. State matching funds would be met by funds already spent in Michigan on health care for the uninsured; plan will require waiver from the federal government and, if approved, is anticipated to begin April 1, 2007.	Federal	0
		<b>\$200,000,000</b>
		200,000,000
<b>13. Hospital QAAP and DRG Rates</b>	<b>Gross</b>	<b>N/A</b>
Adds \$316.4 million gross to Health Plan Services line item to pay higher hospital DRG rates, funded by 1% increase in hospital QAAP and a resulting increase in health plan assessment revenue and allowed federal match; state will retain \$29.8 million GF/GP benefit from assessment revenue.	Federal	N/A
	Restricted	N/A
	GF/GP	N/A
		<b>\$316,441,400</b>
		178,387,700
		167,881,700
		(\$29,828,000)
<b>14. Pharmacy Rebates for Medicaid HMO Population</b>	<b>Gross</b>	<b>\$0</b>
Reduces Health Plan Services line item by \$100.0 million gross (\$43.0 million GF/GP) representing anticipated savings from allowing health plans to receive federal pharmaceutical rebates for prescription drugs to Medicaid enrollees.	Federal	0
	GF/GP	0
		<b>(\$100,000,000)</b>
		(57,000,000)
		(\$43,000,000)
<b>15. Medicaid Home Help Worker Minimum Wage Increase</b>	<b>Gross</b>	<b>\$186,060,500</b>
Adds \$20.0 million gross (\$8.7 million GF/GP) to increase the minimum hourly wage for Medicaid home help workers from \$5.15 to \$6.60 per hour. This action is expected to affect over 70% of home help care employees in 45 counties statewide.	Federal	103,617,100
	GF/GP	\$82,443,400
		<b>\$20,000,000</b>
		11,276,000
		\$8,724,000
<b>16. Third Party Liability Recovery Savings</b>	<b>Gross</b>	<b>N/A</b>
Reduces Health Plan Services line item by \$26.9 million gross (\$11.7 million GF/GP) reflecting savings generated by requiring all insurers doing business in Michigan to report health care coverage for Michigan residents. This will enable the state to better identify Medicaid eligible persons with other health insurance and avoid or recover payments for services provided by the Medicaid program. This requires a change in Michigan law.	Federal	N/A
	GF/GP	N/A
		<b>(\$26,877,600)</b>
		(15,153,600)
		(\$11,724,000)
<b>17. Carve In of Anti-Depressant Medications Into HMOs</b>	<b>Gross</b>	<b>\$219,960,600</b>
Recognizes \$3.1 million GF/GP in savings from transferring \$86.7 million gross (\$37.8 million GF/GP) anti-depressant pharmaceutical payment funds from Pharmaceutical Services line to Health Plan Services line. Increasing payments to health plans is expected to generate additional revenue of \$5.5 million QAAP and \$3.2 million federal Medicaid, saving \$3.1 million GF/GP.	Federal	124,475,700
	Restricted	116,117,500
	GF/GP	(\$20,632,600)
		<b>\$5,598,500</b>
		3,150,900
		5,512,500
		(\$3,064,900)
<b>18. Reduce Medicaid Eligibility Error Rate</b>	<b>Gross</b>	<b>(\$21,070,300)</b>
Anticipates \$19.8 million gross (\$8.6 million GF/GP) savings from reducing Medicaid eligibility error; \$21.1 million gross (\$9.2 million GF/GP) savings were built into FY 2005-06 base budget.	Federal	(11,923,700)
	GF/GP	(\$9,146,600)
		<b>(\$19,828,000)</b>
		(11,190,000)
		(\$8,638,000)
<b>19. Carve In of GME Program Into HMOs</b>	<b>Gross</b>	<b>\$219,960,600</b>
Recognizes \$3.3 million GF/GP savings by transferring Graduate Medical Education (GME) program payments of \$100.0 million gross (\$43.6 million GF/GP) from Hospital Services line to Health Plan Services line; increasing payments to health plans is expected to generate an additional \$6.0 million in QAAP revenue and \$3.4 million in federal Medicaid revenue.	Federal	124,475,700
	Restricted	116,117,500
	GF/GP	(\$20,632,600)
		<b>\$6,086,000</b>
		3,425,800
		6,000,000
		(\$3,339,800)

**Major Boilerplate Changes from FY 2005-06****Sec. 206. Contingency Funds – NEW**

Appropriates up to \$100.0 million federal contingency funds, up to \$20.0 million state restricted contingency funds, up to \$20.0 million local contingency funds, and up to \$10.0 million private contingency funds; specifies that contingency funds are not available for expenditure until transferred according to Section 393(2) of Management and Budget Act. Contingency fund language has not been included in the budget for the past three fiscal years.

**Sec. 264. Submission of Medicaid Waiver – DELETED**

Requires Department to notify House and Senate appropriations subcommittees on Community Health and the fiscal agencies upon submission of a Medicaid waiver, a Medicaid state plan amendment, or similar proposal to the Centers for Medicare and Medicaid Services.

**Sec. 412. Non-Medicaid Substance Abuse Services – DELETED**

Requires Department to contract with Salvation Army Harbor Light Program for providing non-Medicaid substance abuse services at not less than the amount contracted for in FY 2004-05.

**Sec. 450. Audit and Reporting Requirements for CMHSPs – DELETED**

Continues Work Group on recommending strategies to streamline audit and report requirements for CMHSPs or specialty prepaid health plans. Charge to Work Group requires developing a set of standards and criteria to satisfy all of Department's audit requirements that are to be used by any contractor performing services for CMHSPs or specialty prepaid health plans. Proposed standards and criteria to be provided by March 31, 2006.

**Sec. 457. Quality Assurance Assessment Program for CMH Prepaid Inpatient Health Plans – DELETED**

Requires Department to assure implementation of Quality Assurance Assessment Program (QAAP) for CMH prepaid inpatient health plans (PIHPs) does not result in any net reduction in revenue for CMH services. If QAAP is not implemented, or implemented and does not generate anticipated revenue, or reduced or eliminated at a later date, Department must submit plan on how projected GF/GP savings will be achieved.

**Sec. 460. Uniform Standards for Reporting of Administrative Costs by CMHSPs – DELETED**

Requires Department to establish uniform definitions, standards, and reporting of administrative costs by prepaid inpatient health plans (PIHPs), CMHSPs, and contracted organized provided systems that receive payment or reimbursement from funds appropriated for PIHPs and CMHSPs; requires Department to provide written draft of proposed definitions, standards, and instructions by April 15, 2006.

**Sec. 462. Funding Equity Plan for CMH Non-Medicaid Services – DELETED**

Requires Department to establish Work Group to develop a plan to achieve funding equity for all CMHSPs that receive funds appropriated under CMH Non-Medicaid Services. At a minimum, funding equity plan shall establish a payment or scale to ensure each CMHSP is paid and/or reimbursed equally based on recipient's diagnosis or individual plan of service to meet recipient's needs.

**Sec. 464. Liquor License Fees – DELETED**

Expresses legislative intent that revenue received by Department from liquor license fees is to be expended only to fund programs for prevention, rehabilitation, care, and treatment of alcoholics pursuant to provisions within the Liquor Control Code.

**Sec. 651. Activities of the Surgeon General – DELETED**

Requires Department to report by April 30, 2006, on activities and efforts of Surgeon General to improve the health status of the citizens of the state pursuant to the goals and objectives stated in the Healthy Michigan 2010 report, and to indicate measurable progress made.

**Sec. 803. AIDS Drug Assistance Program – REVISED**

Directs Department to continue the AIDS drug assistance program maintaining the prior-year eligibility criteria and drug formulary. Revised to allow Department to revise eligibility criteria and drug formulary in a manner consistent with federal program guidelines if the appropriation is not sufficient to maintain prior year parameters.

**Sec. 1413. Support of Locally-Based Community Senior Services – REVISED**

Establishes legislative intent on parameters for locally-based community senior services. Revised to remove legislative references and to establish that access services may be provided directly by area agencies on aging and that other services cannot be directly provided without a waiver from the Commission on Services to the Aging.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 1604. Medicaid Eligibility Application – DELETED***

Specifies certain conditions of the Medicaid eligibility application process.

***Sec. 1610. Provider Cost Report Grievance Procedure – DELETED***

Requires Department to provide a cost report grievance process for medical providers and payment within nine months following submission of cost reports.

***Sec. 1616. Medicaid Audit Recoveries Contingency Authorization – DELETED***

Authorizes up to \$8.8 million of audit recovered Medicaid managed care and fee-for-service payments within Hospital Services and Therapy appropriation line.

***Sec. 1628. Medicare Part D Psychotropic Pharmacy Administration Committee and Study – DELETED***

Requires Department to convene a committee to study implementation of psychotropic pharmacy administration under Medicare Part D for individuals dually enrolled in Medicare and Medicaid programs by April 2006; details committee representation and a final report is due by September 30, 2006.

***Sec. 1666. Providing Timelier Inclusion of Newborns in Medicaid Eligibility File – DELETED***

Directs Department to implement system changes to assure that within 30 days of birth newborns of health plan covered Medicaid mothers are included in Medicaid eligibility file and enrolled in same health plan as the mother.

***Sec. 1684. Home and Community-Based Services (HCBS) Administrative Expenses – DELETED***

Requires that payment rate allocated for administrative expenses for HCBS waiver program be reduced by \$2.00 per person per day, and that savings realized by this action be reallocated to increase enrollment in waiver program. Requires report on the number of nursing home patients discharged who are subsequently enrolled in HCBS waiver program, and associated cost savings.

***Sec. 1690. Establishment of an Estate Preservation Program – DELETED***

Authorizes Department to work with the federal government to establish an estate preservation program as per recommendations by Michigan Medicaid Long-Term Care Task Force.

***Sec. 1690. Implement Home Help Wage Increase and Cap Cost – NEW***

Requires Department to implement a wage increase for Medicaid home help/personal care workers not to exceed \$20.0 million.

***Sec. 1695. County Indigent Care and Third Share Plans Contingency Authorization – NEW***

Allows Department to increase authorizations and adjust financing sources in County Indigent Care and Third Share Plans appropriation line if Department submits a state plan amendment increasing the program beyond the existing authorization.

***Sec. 1700. Actuarially Sound Capitation Rates – DELETED***

Requires Department to consult with Michigan Association of Health Plans and develop a plan to assure that Medicaid payment rates to HMOs in FY 2005-06 meet federal requirements for actuarially sound rates; plan shall be submitted by May 30, 2006.

***Sec. 1710. MIChoice Home and Community Based Services – DELETED***

Requires Department to report proposed changes in MIChoice home and community based services waiver program screening process to House and Senate appropriations subcommittees on Community Health prior to implementation.

***Sec. 1729. Bi-Partisan Joint Committee Identifying Medicaid Cost Reductions – DELETED***

Establishes bi-partisan joint committee that shall seek to identify at least \$40.0 million in Medicaid savings through cost reduction measures, such as fraud reduction, estate recovery, and enhanced information technology.

***Sec. 1730. Case Rate for Inpatient Hospital Services Contingency – DELETED***

Authorizes Department to restore one-quarter of the 4% Medicaid provider rate if Department receives federal approval to establish case rate for inpatient hospital services provided to the Medicaid optional parents and caretaker relatives.

***Sec. 1732. Nursing Home QAAP Modification Assurance – DELETED***

Assures that nursing home reimbursement rates will not be reduced to achieve GF/GP savings if proposed modifications to quality assurance assessment program for nursing homes are not implemented.

## Summary: Executive Budget Recommendation CORRECTIONS FY 2006-07

Analyst: Marilyn B. Peterson

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$1,043,800	\$1,238,400	\$194,600	18.6
<b>Federal</b>	11,410,200	11,431,500	21,300	0.2
<b>Local</b>	411,700	420,900	9,200	2.2
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	66,590,000	68,775,700	2,185,700	3.3
<b>GF/GP</b>	1,780,650,700	1,865,555,000	84,904,300	4.8
<b>Gross</b>	<b>\$1,860,106,400</b>	<b>\$1,947,421,500</b>	<b>\$87,315,100</b>	<b>4.7</b>
<b>FTEs</b>	17,525.2	17,828.5	303.3	1.7
	50,945	51,490	545	1.1

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

### Overview

The Michigan Department of Corrections (MDOC) operates under codification of correctional statutes established under 1953 PA 232. The Department's mission is "to enhance public safety by recommending sanctions to the courts and to carry out the sentences given to convicted felons as directed by the courts in a humane, cost-efficient manner which is consistent with sound correctional principles and constitutional standards." The MDOC budget funds operation of the state prison system, supervision of parolees and felony probationers, and a variety of offender programs in prison and in the community. It also funds training of corrections officers and centralized functions of administration, research, and financial operations. Prison construction is funded through the Capital Outlay budget.

### Major Budget Changes from FY 2005-06 YTD

#### PRISON AND CAMP OPERATIONS

##### 1. Camp Brighton Closure, Other Bed Count Changes

Assumes closure of Camp Brighton (state's only prison camp for women) and conversion of Huron Valley technical rule violator center to a women's camp. Recognizes 545 beds more than in the current year; funds those beds from Inmate Housing Fund line (includes funds for Camp Brighton), St. Louis Correctional Facility, and consent decree funds for Huron Valley acute care units. Additional FTEs recognize Huron Valley employees moved from Community Health to Corrections upon MDOC takeover of facility operations.

	FY 2005-06 YTD	Executive Change
Beds	50,945	545
FTEs	N/A	456.8
<b>Gross</b>	<b>N/A</b>	<b>\$0</b>

##### 2. Corrections Security Inspectors

Standardizes numbers of inspectors across the Department, generally allocating one inspector per facility, for savings of \$1.5 million and 17.0 FTEs. Inspector responsibilities include checking for compliance with staffing and security protocols, conducting employee and prisoner investigations and disciplinary conferences, and handling union-management issues.

FTEs	N/A	(17.0)
<b>Gross</b>	<b>N/A</b>	<b>(\$1,500,000)</b>
GF/GP	N/A	(\$1,500,000)

##### 3. Equipment and Special Maintenance

Adds \$425,500 to upgrade electronic security equipment at various facilities; incorporates \$2.0 million one-time fund shift to capital outlay, to allow funding special maintenance projects in that budget.

<b>Gross</b>	<b>\$2,054,000</b>	<b>(\$1,574,500)</b>
GF/GP	\$2,054,000	(\$1,574,500)

**CORRECTIONS**

**Major Budget Changes from FY 2005-06 YTD**

**4. High-security Pay Adjustments**

Recognizes savings through elimination of high-security pay for correctional transportation officers (\$207,000) and corrections officers at Riverside (\$98,200), where security levels were recently reduced.

	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>Gross</b>	N/A	<b>(\$305,200)</b>
<b>GF/GP</b>	N/A	<b>(\$305,200)</b>

**PRISONER HEALTH AND MENTAL HEALTH CARE**

**5. Hadix Consent Decree – Medical Services**

Adds funding for six physicians to increase physician coverage at acute and ambulatory units at the Jackson Complex to comply with new Hadix consent decree requirements. Physician services are provided through contract with Correctional Medical Services, Inc.

FTEs	138.0	0.0
<b>Gross</b>	<b>\$9,997,700</b>	<b>\$1,018,800</b>
<b>GF/GP</b>	<b>\$9,997,700</b>	<b>\$1,018,800</b>

**6. DOJ Consent Decree – MDCH Mental Health Services**

Funds an additional MDCH outpatient treatment team to provide mental health services at Thumb Correctional Facility, which has absorbed 320 youthful offenders following closure of the Michigan Youth Correctional Facility in Baldwin.

<b>Gross</b>	N/A	<b>\$471,700</b>
<b>GF/GP</b>	<b>N/A</b>	<b>\$471,700</b>

**7. Clinical Treatment Team, Thumb Correctional Facility**

Adds clinical staffing for Thumb Correctional Facility to accommodate increased programming and treatment needs following transfer of 320 youthful offenders from the now-closed Michigan Youth Correctional Facility in Baldwin. Increase would support assaultive offender programming, sex offender programming, and additional testing and screening needs.

FTEs	N/A	4.0
<b>Gross</b>	<b>N/A</b>	<b>\$329,000</b>
<b>GF/GP</b>	<b>N/A</b>	<b>\$329,000</b>

**8. Case Review Nurse Practitioners**

Increases funding for nurse consultants. Funding would support additional review of prisoner medical cases and enable Hadix-related case review standards to be met statewide.

FTEs	N/A	5.0
<b>Gross</b>	<b>N/A</b>	<b>\$457,300</b>
<b>GF/GP</b>	<b>N/A</b>	<b>\$457,300</b>

**FIELD OPERATIONS AND COMMUNITY PROGRAMS**

**9. Global Positioning System (GPS) Tether**

Includes \$1.7 million GF/GP for early stages of implementation of GPS electronic monitoring for selected offenders in a yet-to-be-determined area of the state. The technology is expected to be used primarily for prisoners being paroled from burglary offenses, although it might be used for some sex offenders. A request for proposals to provide a GPS system was issued January 26, 2006; the deadline for submitting bids is February 23. The contract start date is scheduled for June 23, 2006.

FTEs	N/A	10.0
<b>Gross</b>	<b>N/A</b>	<b>\$1,670,500</b>
<b>GF/GP</b>	<b>N/A</b>	<b>\$1,670,500</b>

**10. Eliminate Jail Capacity Grant Funding**

Eliminates funding for jail capacity grants, \$4.0 million GF/GP added in the current year to assist counties with problems of jail crowding. The funding consists of \$1.0 million for community corrections residential programs to help ease jail crowding, \$1.0 million for local efforts to divert mentally ill offenders out of jails, \$1.0 million to divert pretrial detainees out of jails, and \$1.0 million for renovation and construction of jail beds. A related Executive proposal for FY 2005-06 supplemental appropriations would transfer the current year's funding to prisoner reintegration programs.

<b>Gross</b>	<b>\$4,000,000</b>	<b>(\$4,000,000)</b>
<b>GF/GP</b>	<b>\$4,000,000</b>	<b>(\$4,000,000)</b>

**Major Budget Changes from FY 2005-06 YTD**Executive  
Change

FY 2005-06 YTD

**11. Field Operations Reorganization**

Incorporates \$2.7 million net GF/GP savings to be achieved with ongoing reorganization of field operations, which began in FY 2005-06 with reductions to central office staff (\$1.1 million savings); includes savings from reorganizing regional field offices; \$6.3 million savings (eliminate 79.5 regional office administrative/management positions) would be offset by \$3.6 million for 46.3 additional field officer FTEs; net reductions would be 33.2 FTEs and \$2.7 million.

FTEs	1,976.4	(33.2)
<b>Gross</b>	<b>\$138,549,100</b>	<b>(\$2,731,000)</b>
Restricted	16,338,500	0
GF/GP	\$122,210,600	(\$2,731,000)

**12. Community Re-entry Centers**

Creates new line item of Community Re-entry Centers (\$14.3 million [\$14.0 million GF/GP] and 48.0 FTEs) to reflect changes in community programs occurring under truth-in-sentencing and the Michigan Prisoner Re-Entry Initiative. Uses Corrections Centers and Technical Rule Violator Program funding and FTE authorization, and eliminates those lines. Eliminates \$271,600 of \$372,300 restricted revenue associated with corrections centers, and all but one of the 69.3 FTEs associated with the technical rule violator program.

FTEs	N/A	(68.3)
<b>Gross</b>	<b>N/A</b>	<b>(\$271,600)</b>
Restricted	N/A	(271,600)
GF/GP	N/A	\$0

**MISCELLANEOUS ADJUSTMENTS****13. New Officer Training and State Police Billings**

Increases funding for new officer training by \$7.8 million (total of \$11.8 million, all GF/GP) to fund an estimated 650 new corrections officers to fill current and anticipated vacancies; adds \$1.0 million GF/GP for costs of using the state police training facility.

<b>Gross</b>	<b>N/A</b>	<b>\$8,824,400</b>
GF/GP	N/A	\$8,824,400

**14. Public Works Revenue**

Anticipates additional \$216,000 restricted revenue through recently-implemented 50% increase in public works user fees (from \$10 to \$15 per worker per day); used to offset GF/GP. Increased use of public works crews on MDOT projects to provide additional \$2.0 million restricted revenue to offset GF/GP.

<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Restricted	N/A	2,216,000
GF/GP	N/A	(\$2,216,000)

**15. Outpatient Substance Abuse Treatment**

Increases funding for substance abuse testing and treatment to accommodate costs anticipated under new outpatient treatment service contracts, which are to be re-bid during FY 2005-06.

<b>Gross</b>	<b>\$18,220,900</b>	<b>\$496,000</b>
Federal	1,822,800	0
GF/GP	\$16,398,100	\$496,000

**16. Jail Services Unit**

Restores funding for jail services unit, which the current-year budget assumed would be transferred to DLEG. The unit reviews jail plans and inspects jails for compliance with statutory and promulgated jail standards, and has remained with Department of Corrections.

FTEs	0.0	4.0
<b>Gross</b>	<b>\$0</b>	<b>\$612,000</b>
IDG/IDT	0	165,000
GF/GP	\$0	\$447,000

**17. Human Resources Adjustments**

Incorporates \$248,400 reduction in human resources service center user charges, \$29,600 reduction due to DCH human resources savings being passed on through the associated consent decree line, and an additional reduction of \$506,800 and 7.0 FTEs.

FTEs	N/A	(7.0)
<b>Gross</b>	<b>N/A</b>	<b>(\$784,400)</b>
GF/GP	N/A	(\$784,400)

**18. Information Technology**

Includes \$1.1 million for new servers for the Offender Management Network Information (OMNI) system, the Department's centralized system of offender data; also includes \$660,000 for a time computation module to complete migration from CMIS (Correctional Management Information System, the old mainframe-based offender information system) to OMNI.

<b>Gross</b>	<b>\$14,076,000</b>	<b>\$1,758,700</b>
Restricted	534,700	0
GF/GP	\$13,541,300	\$1,758,700

**CORRECTIONS**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>	
<b>19. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$84,026,400</b>
Includes \$84.0 million (\$82.3 million GF/GP) economic adjustments	IDG/IDT	N/A	29,600
of which \$651,900 (\$633,600 GF/GP) are for DIT	Federal	N/A	21,300
• Salaries and wages: \$36.3 million gross, \$35.5 million GF/GP	Local	N/A	9,200
• Insurances: \$13.6 million gross, \$13.3 million GF/GP	Restricted	N/A	1,699,300
• Retirement: \$32.1 million gross, \$31.4 million GF/GP	GF/GP	N/A	\$82,267,000
• Building occupancy charges: \$100 gross and GF/GP			
• Food: \$954,700 gross and GF/GP			
• Fuel and utilities: \$2.2 million gross and GF/GP			
• Workers' compensation: (\$1.1 million) gross and GF/GP			

**Major Boilerplate Changes from FY 2005-06**

**Sec. 206. Disciplinary Action – DELETED**

Prohibits taking disciplinary action against an employee for communicating with the Legislature.

**Sec. 213. Contingency Fund Appropriations – NEW**

Appropriates contingency funds (otherwise-unappropriated non-GF/GP sources of revenue that may become available during the fiscal year), which would be available for expenditure on approval of legislative transfer.

**Sec. 401. Prison Population Projections – REVISED**

Sets deadline for report on prison population projections; Executive moves deadline from February 1 to February 15.

**Sec. 411. Recidivism Report – REVISED**

Requires Department to report on reducing recidivism rates among prisoners released from correctional facilities. Executive deletes requirement to include information on historical recidivism rates and cross-state comparisons.

**Sec. 504. Mental Health and Substance Abuse Services – DELETED**

Requires Department to cooperate with Department of Community Health in providing information and developing a report on prisoners receiving substance abuse and mental health services.

**Sec. 608. Parole and Probation Special Operations – REVISED**

Requires Department to cooperate with Department of Community Health in providing information and developing a report on prisoners receiving substance abuse and mental health services. Executive eliminates expression of legislative intent that Department cooperate with attorney general and local law enforcement agencies in assigning field agents for parole/probation special operations (under which agents, escorted by law enforcement, make unscheduled after-hours checks to verify offenders' whereabouts and activities in selected precincts of Detroit).

**Sec. 1001. Smoking Areas – DELETED**

Requires designation of prisoner and staff smoking areas at each facility.

**Sec. 1010. GED and Recidivism Report – DELETED**

Specifies reporting requirements pertaining to prisoner academic and vocational programs.

**Sec. 1011. GED Certification Report – DELETED**

Requires plan to increase certification rates among prisoners enrolled in general educational development (GED) programs at correctional facilities; associated report to include details on Department plans to improve certification rates, along with information on recent certification rates and comparisons to other states.

## Summary: Executive Budget Recommendation

### HUMAN SERVICES

### FY 2006-07

Analysts: Robert Schneider, Bill Fairgrieve

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$2,439,200	\$1,102,700	(\$1,336,500)	(54.8)
<b>Federal</b>	3,213,153,000	3,147,082,900	(66,070,100)	(2.1)
<b>Local</b>	51,076,200	55,939,500	4,863,300	9.5
<b>Private</b>	8,918,600	9,914,100	995,500	11.2
<b>Restricted</b>	71,176,100	66,868,600	(4,307,500)	(6.1)
<b>GF/GP</b>	1,081,211,900	1,190,896,700	109,684,800	10.1
<b>Gross</b>	<b>\$4,427,975,000</b>	<b>\$4,471,804,500</b>	<b>\$43,829,500</b>	<b>1.0</b>
<b>FTEs</b>	10,286.0	10,112.7	(173.3)	(1.7)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

#### Overview

The Department of Human Services (DHS) administers a wide range of programs and services to assist Michigan's most vulnerable families, including public assistance programs that provide direct cash support as well as assistance with food, day care and other emergency needs. The Department is also charged with protecting children and assisting families by administering foster care, adoption and family preservation programs, and by enforcing child support laws. The DHS is responsible for delivering juvenile justice services and for licensing day care, adult foster care, and child welfare agencies in the state.

#### Major Budget Changes from FY 2005-06 YTD

##### 1. Welfare Reform Pilot Projects – FIP Program

Reflects anticipated Family Independence Program (FIP) savings of \$12.4 million from establishment of Job Education and Training (JET) pilot project aimed at moving long-term FIP recipients into self-sufficiency. Pilot is expected to decrease FIP benefits by increasing recipient earned income and employment and reducing the number returning to FIP because employment was not retained. Takes savings of \$3.7 million from budget related to implementation of a Front End Eligibility pilot program initiated in FY 2005-06.

	FY 2005-06 YTD	Executive Change
<b>Gross</b>	<b>\$392,121,800</b>	<b>(\$16,026,900)</b>
Federal	177,592,900	0
Restricted	50,210,700	0
GF/GP	\$164,318,200	(\$16,026,900)

##### 2. Fund Shift and State-Funded FIP Benefits

Replaces \$78.0 million of TANF appropriations with GF/GP for FIP program (which provides cash assistance to eligible low-income families) to help the state overcome anticipated TANF shortfall for FY 2006-07; \$50.0 million of new GF/GP would be allocated to fund new state-funded cash benefits, and would not be counted toward state maintenance of effort requirements, so recipients under the new state-funded component of the program would not be counted in federal work participation requirements. These work requirements for states were recently increased through federal budget actions.

	FY 2005-06 YTD	Executive Change
<b>Gross</b>	<b>\$392,121,800</b>	<b>\$0</b>
Federal	177,592,900	(78,000,000)
Restricted	50,210,700	0
GF/GP	\$164,318,200	\$78,000,000

**HUMAN SERVICES**

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>3. Fund Shift – Replace SSBG With GF/GP</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
Replaces \$15.3 million federal appropriations from Social Services Block Grant with GF/GP to help offset an expected shortfall in SSBG revenue in FY 2006-07; SSBG revenue primarily supports local office staffing costs for social services workers.	Federal	N/A	(15,300,000)
	GF/GP	N/A	\$15,300,000
<b>4. Employment and Training Services – Welfare Reform Pilot Implementation Costs</b>	<b>Gross</b>	<b>\$16,529,100</b>	<b>\$1,367,500</b>
Includes \$1.4 million in implementation costs for FIP pilot programs in item 1; costs cover employment and training related services for FIP participants in the pilot, and are passed through to DLEG's Work First program.	Federal	15,754,000	0
	GF/GP	\$775,100	\$1,367,500
<b>5. Local Office Staffing – Child Protective Services Workers</b>	FTE	N/A	51.2
Increases funds for Child Protective Services workers by \$1.8 million and redirects \$1.9 million from the existing budget for this purpose. Funds will support 51 additional Child Protective Services workers, a 7% increase over existing staff levels in this area.	<b>Gross</b>	<b>N/A</b>	<b>\$3,649,200</b>
	Federal	N/A	1,347,000
	GF/GP	N/A	\$2,302,200
<b>6. Family Independence Program Caseload</b>	<b>Gross</b>	<b>\$392,121,800</b>	<b>(\$2,155,800)</b>
Reflects reductions in anticipated FIP caseload by 560 cases to a new level of 77,640; caseload decline reflects estimated impact of the Front End Eligibility pilot program during FY 2005-06; program seeks to reduce FIP cases opened in error by targeting certain cases for additional investigation.	Federal	177,592,900	2,017,500
	Restricted	50,210,700	0
	GF/GP	\$164,318,200	(\$4,173,300)
<b>7. Marriage and Fatherhood Initiatives</b>	<b>Gross</b>	<b>\$1,450,000</b>	<b>\$0</b>
Replaces TANF funding for Fatherhood and Marriage Initiatives, Earned Income Tax Credit outreach, and Individual Development Accounts with appropriations from new federal funding source; \$150.0 million (annual) for Healthy Marriage and Family, included in recent federal budget reconciliation legislation, should be available for marriage, fatherhood and family-related programs; budget anticipates sufficient funds to replace current TANF appropriations.	TANF	1,450,000	(1,450,000)
	Other Fed	0	1,450,000
<b>8. Day Care Caseload and School Aid-Related Savings</b>	<b>Gross</b>	<b>\$465,438,600</b>	<b>\$2,750,300</b>
Increases Child Day Care appropriation by \$5.8 million to reflect anticipated increase in cost per case in FY 2006-07; costs offset by anticipated savings of \$5.0 million from an increase in School Aid budget for Michigan School Readiness program; School Aid increase is expected to allow more children to be served through pre-school programs, leading to a decline in those that will need DHS day care subsidies. Replaces GF/GP to adjust for additional federal funding included in recent federal budget legislation.	Federal	291,862,900	8,537,000
	GF/GP	\$173,575,700	(\$5,786,700)
<b>9. Child Care Fund Caseload</b>	<b>Gross</b>	<b>\$173,737,900</b>	<b>\$4,262,100</b>
Increases Child Care Fund appropriation by \$4.3 million (combined GF/GP and redirected TANF) to reflect anticipated FY 2006-07 cost increase. Program provides funds for state share of cost of caring for abused/neglected youth and delinquent youth that are court wards.	Federal	84,791,400	1,778,500
	GF/GP	\$88,946,500	\$2,483,600
<b>10. State Disbursement Unit</b>	<b>Gross</b>	<b>\$13,670,100</b>	<b>\$4,790,700</b>
Restores some funds removed in FY 2005-06 budget for State Disbursement Unit (SDU). SDU contractor responsible for collection and distribution of child support in the state; contract was recently re-bid, but anticipated cost savings were overestimated; adjustment reduces appropriations to cover current estimates.	Restricted	8,600,500	3,161,900
	GF/GP	\$5,069,600	\$1,628,800

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>11. Information Technology – Bridges Project</b>	<b>Gross</b>	<b>\$5,500,000</b>	<b>\$5,500,000</b>
Increases funding level by 100% for Integrated Service Delivery project (Bridges) which will re-engineer and integrate eligibility and case management computer systems to increase efficiency of DHS computer systems and reduce burden on social services workers.	Federal	2,750,000	2,750,000
	GF/GP	\$2,750,000	\$2,750,000
<b>12. Michigan Community Service Commission (MCSC)</b>	FTE	0.0	6.0
Transfers funds for commission from DLEG to DHS. MCSC oversees federal, state, and private grant funding to support local volunteerism and community service initiatives, including AmeriCorps and Volunteer Investment Grants.	<b>Gross</b>	<b>\$0</b>	<b>\$9,391,900</b>
	Federal	0	7,427,100
	Private	0	980,300
	GF/GP	\$0	\$984,500
<b>13. Adoption Subsidies Caseload</b>	<b>Gross</b>	<b>\$226,158,900</b>	<b>\$7,809,700</b>
Increases funding by \$7.8 million to reflect anticipated increase of 1,000 cases to new FY 2006-07 level of 27,300. Adoption subsidies provide financial support to adoptive families that adopt children meeting state criteria for being difficult to place in permanent homes.	Federal	142,510,900	4,685,800
	Restricted	83,648,000	3,123,900
<b>14. State Disability Assistance Caseload</b>	<b>Gross</b>	<b>\$34,589,600</b>	<b>\$1,682,100</b>
Reflects increase in anticipated SDA program caseload of 400 cases to a new level of 11,900. Program provides cash assistance to individuals that meet established disability criteria.	GF/GP	\$34,589,600	\$1,682,100
<b>15. Departmentwide Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$41,246,300</b>
Adds \$41.2 million for incurred Department economic increases; includes FY 2006-07 employee salary and wage increase of 3.5% for classified employees and increases for retirement, insurance, and rent/building occupancy costs.	GF/GP	N/A	\$18,480,700

**Major Boilerplate Changes from FY 2005-06**

**GENERAL SECTIONS**

***Sec. 262. Zone Office Consolidation Plan – DELETED***

Requires Department to develop plan to assist local services delivery effectiveness and efficiency; provides that savings resulting from plan may be reallocated to local DHS county offices to fund additional frontline workers; requires plan to be submitted to Legislature by January 1, 2006. Language related to \$2.6 million budget reduction to consolidate DHS zone offices; reduction offset by \$1.8 million addition which restored savings for local county offices.

**COMMUNITY ACTION AND ECONOMIC OPPORTUNITY**

***Sec. 304. Pontiac School-Based Crisis Intervention Program – DELETED***

Allocates \$78,500 in TANF funds to support this demonstration project.

**ADULT AND FAMILY SERVICES**

***Sec. 415. Marriage and Fatherhood Initiatives – NEW***

Makes appropriation for Marriage and Fatherhood Initiatives contingent upon receipt of new federal funding available for marriage and family formation grants. Provides increase in authorization with approval of State Budget Director and notification of subcommittee chairs if actual grant level exceeds appropriation; replaces current-law language which provided guidelines for TANF-funded marriage and fatherhood appropriations.

**CHILD AND FAMILY SERVICES**

***Sec. 545. Specialized Foster Care System – DELETED***

Requires DHS to implement new specialized foster care system and report to subcommittees on the new system; legislative goal is to reduce rate disparities between providers of similar services in different geographic regions.

**HUMAN SERVICES**

**Major Boilerplate Changes from FY 2005-06**

***Sec. 550 and 551. Smoking Cessation Initiative for Foster Care Parents – DELETED***

Requires Department, with Department of Community Health, to develop and distribute materials outlining health risks of smoking and secondhand smoke to foster parents and establish pilot program to offer smoking cessation products to foster parents to reduce health risks to foster children; requires report on program and impact of smoking on Foster children.

**PUBLIC ASSISTANCE**

***Sec. 618. Suspension/Termination of Public Assistance – REVISED***

Lists conditions under which public assistance can be reduced, suspended or terminated without prior notice. Language revised to include new situations: 1) recipient is no longer resident of Michigan, 2) recipient is closed on one case to be activated on another, 3) certain federal payments are increased or are initiated, 4) recipient is disqualified for intentional program violation, and 5) a DHS negative action is upheld in an administrative hearing.

***Sec. 620. Food Assistance Appropriation – NEW***

Allows DHS, with approval of state budget director and after notification to subcommittee chairs, to increase appropriation for Food Assistance Program if projected caseload spending will exceed current appropriation level.

***Sec. 679. Long-Term FIP Recipients Pilot Program – DELETED***

Requires Department to implement pilot program aimed at long-term recipients in Family Independence Program; program is not to weaken work participation requirements or sanctions for noncompliance; pilot to include recommendations to reduce recipients who received cash assistance for more than 48 months; requires report on policies established through pilot program.

**JUVENILE JUSTICE SERVICES**

***Sec. 720–723. Juvenile Justice Programs – DELETED***

Specifies that appropriated funds be distributed to public and private providers of juvenile justice services based on their ability to demonstrate results in specific areas, including recidivism and high school/GED completion rates, and average stays and costs in the program; requires private provider participation in developing methodology for measuring goals and performance standards.

**CHILD SUPPORT ENFORCEMENT**

***Sec. 901. Child Support Incentive Payments – REVISED***

Allocates federal child support incentive payments between the state and counties; allows state to retain up to \$15.4 million in incentive payment revenue and provides that if incentive payment revenue exceeds amount retained by state, then local match supplement for counties eliminated in the budget be restored on a prorated basis; additional revenue beyond that needed to restore the full supplement would be subject to legislative appropriation. Revision provides \$12.0 million to state and \$14.5 million to counties, with any excess revenue being retained by the state; if revenue falls below estimated level, counties and state incur a prorated reduction from earmarked levels.

***Sec. 904. Prohibition Against Charge-Back to Counties for Services – DELETED***

Prohibits Department from charging back to counties any fees paid to Internal Revenue Service or Department of Treasury related to tax intercept and offset programs for child support enforcement; provides that funding for these fees come from appropriations to state Office of Child Support.

**FY 2006-07  
Budget Detail  
for  
LABOR  
AND ECONOMIC GROWTH**

**Summary: Executive Budget Recommendation  
LABOR AND ECONOMIC GROWTH  
FY 2006-07**

**Analyst: Richard Child**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$10,743,800	\$12,271,100	\$1,527,300	14.2
<b>Federal</b>	787,078,700	795,345,800	8,267,100	1.1
<b>Local</b>	15,738,200	15,824,300	86,100	0.5
<b>Private</b>	2,310,300	2,314,300	4,000	0.2
<b>Restricted</b>	329,877,200	343,906,700	14,029,500	4.3
<b>GF/GP</b>	38,078,900	47,436,700	9,357,800	24.6
<b>Gross</b>	<b>\$1,183,827,100</b>	<b>\$1,217,098,900</b>	<b>\$33,271,800</b>	<b>2.8</b>
<b>FTEs</b>	4,214.0	4,265.0	51.0	1.2

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through February 5, 2006.*

**Overview**

The Department of Labor and Economic Growth (DLEG) has primary responsibility for the regulatory functions that relate specifically to commercial, business, and workers' issues. It also includes activities within the former Department of Career Development such as various employment training-related programs for displaced workers, adults, and youth, and employment services for the disabled as well as welfare recipients. The Michigan Strategic Fund (MSF), an autonomous agency, and the Michigan Economic Development Corporation (MEDC) were transferred to the Department of Treasury.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Fire Protection Grants</b>	<b>Gross</b>	<b>\$7,210,500</b>	<b>\$3,700,000</b>
Increases fire protection grants to FY 2004-05 funding level.	Restricted	7,210,500	0
	GF/GP	\$0	\$3,700,000
<b>2. Partially Replace Unavailable Reed Act Work First Funds</b>	<b>Gross</b>	<b>\$6,300,000</b>	<b>(\$650,000)</b>
Reduces net funding by \$650,000; expiration of federal Reed Act Work First funds causes partial replacement with GF/GP.	Federal	6,300,000	(6,300,000)
	GF/GP	\$0	\$5,650,000
<b>3. Reduce Michigan Broadband Development Authority</b>	FTE	13.0	(11.0)
Recognizes anticipated cessation of lending program, and reduces staff size to number needed for existing loans.	<b>Gross</b>	<b>\$1,588,200</b>	<b>(\$1,093,400)</b>
	Restricted	1,588,200	(1,093,400)
<b>4. Economic Increases</b>	<b>Gross</b>	<b>\$0</b>	<b>\$18,602,900</b>
Includes contractual 3.5% wage increases, 6.4% employee benefit increases and pension increases of \$17.4 million; recognizes increase of \$0.4 million in Building Occupancy charges for state-owned buildings and \$0.8 million for self-insured worker's compensation; rent paid to third parties for office space does not increase.	IDG	0	551,500
	Federal	0	8,484,800
	Private	0	4,000
	Local	0	86,100
	Restricted	0	8,773,400
	GF/GP	\$0	\$703,100
<b>5. Jobs Employment Training Pilot Program for Work First</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,064,100</b>
Adds \$1.1 million gross from IDG from Department of Human Services to improve long term employability of welfare recipients; pilot program will be tested in four locations.	IDG	0	1,064,100

**Major Budget Changes from FY 2005-06 YTD**

**6. Net Increase in Federal Program/Grant Funding**

Provides \$2.0 million increase in workforce development training for the disabled; adds \$5.0 million in Section 8 housing and rental assistance payments administered by Michigan State Housing Development Authority; eliminates \$1.2 million for various federal grant programs that have ended.

	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>Gross</b>	<b>\$0</b>	<b>\$5,760,000</b>
Federal	0	5,760,000

**Major Boilerplate Changes from FY 2005-06**

***Sec. 355. Ergonomic Work Rules – DELETED***

Requires that no funds be used to promulgate rules more stringent than federal voluntary ergonomics standards.

***Sec. 405. Welfare Recipient Work Requirements – REVISED***

Specifies welfare recipient work requirements. Revision adds education, community service, and volunteerism options for welfare recipients to satisfy work requirements; requires screening applicants to determine barriers to employment prior to referral to Work First Program; increases allowable period for training and education from 12 months to 36 months and time allowed for General Education Diploma completion from 6 months to 12 months; requires Work First participants assessed at or below 9th grade in reading and math skills to participate in a remedial program. Allows Department to conduct pilot programs using different policies to reduce dependence on public assistance.

***Sec. 501–530. MEDC-Related Boilerplate Sections – DELETED***

Provides direction for MSF and MEDC. Sections deleted due to transfer of MSF and MEDC to Department of Treasury under 2005 PA 225.



**FY 2006-07  
Budget Detail  
for**

**RESOURCE PROTECTION**

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**Agriculture  
Environmental Quality  
Natural Resources**

**AGRICULTURE**

**Summary: Executive Budget Recommendation  
AGRICULTURE  
FY 2006-07**

**Analyst: William E. Hamilton**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$10,368,200	\$10,382,700	\$14,500	0.1
<b>Federal</b>	32,581,700	22,757,000	(9,824,700)	(30.2)
<b>Local</b>	0	0	0	0.0
<b>Private</b>	138,700	183,800	45,100	32.5
<b>Restricted</b>	47,727,100	48,399,000	671,900	1.4
<b>GF/GP</b>	28,362,700	30,062,500	1,699,800	6.0
<b>Gross</b>	<b>\$119,178,400</b>	<b>\$111,785,000</b>	<b>(\$7,393,400)</b>	<b>(6.2)</b>
<b>FTEs</b>	697.0	696.0	(1.0)	(0.1)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

**Overview**

The Department of Agriculture promotes Michigan agricultural products; protects the public from disease and unsanitary conditions in food production and handling; regulates product labeling and producer practices for dairy products, animals, and plants; and enforces consumer protection laws regarding food, standard weights/measures, animal health, and plant pests and diseases.

**Major Budget Changes from FY 2005-06 YTD**

	<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>EXECUTIVE</b>		
<b>1. Management Services</b>		
Reduces GF/GP by \$72,400 to reflect transfer of certain human resource functions (and 1.0 FTE) to HR Service Center as part of the HR Optimization Project. Makes additional \$100,000 GF/GP baseline reduction; state budget office indicates that this reduction would be achieved through management services efficiencies related to Human Resources and Finance & Administrative Services Divisions. Provides \$102,000 (\$87,300 GF/GP) increase for economics.	FTEs 35.5 <b>Gross</b> \$2,718,100 Restricted 386,600 GF/GP \$2,331,500	(1.0) <b>(\$70,400)</b> 14,700 (\$85,100)
<b>2. Statistical Reporting Service</b>		
Reduces GF/GP from current-year baseline by \$35,000, includes \$15,400 GF/GP economic increases.	<b>Gross</b> \$345,600 GF/GP \$345,600	<b>(\$19,600)</b> (\$19,600)
<b>FOOD AND DAIRY</b>		
<b>3. Food Safety and Quality Assurance</b>		
Reduces funding from licensing and inspection fees by \$500,000 to more closely align with actual revenue expectations; replaces with \$500,000 GF/GP. Provides additional \$465,200 GF/GP to fund economic increases.	FTEs 107.0 <b>Gross</b> \$10,830,300 Federal 228,500 Restricted 3,233,600 GF/GP \$7,368,200	0.0 <b>\$476,800</b> 9,600 (498,000) \$965,200
<b>ANIMAL INDUSTRY</b>		
<b>4. Animal Health and Welfare</b>		
Recognizes \$57,600 additional federal Department of Agriculture revenue for emerging diseases and emergency management programs. Eliminates Pseudorabies and swine brucellosis fund as fund source (\$15,600 reduction from current year).	FTEs 22.5 <b>Gross</b> \$2,316,100 Federal 386,200 Restricted 174,000 GF/GP \$1,755,900	0.0 <b>\$112,300</b> 70,800 (10,800) \$52,300

**Major Budget Changes from FY 2005-06 YTD**

	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>5. Bovine Tuberculosis</b>	FTEs 26.5	0.0
Reduces federal revenue in budget to more closely align with anticipated grant revenue. Economic increases of \$103,200 funded from GF/GP (\$46,700) and restricted AEIDF (\$43,300) revenue.	<b>Gross \$5,707,800</b>	<b>(\$130,400)</b>
	Federal 933,600	(220,400)
	Restricted 2,297,600	43,300
	GF/GP \$2,476,600	\$46,700
 <b>PESTICIDE AND PLANT PEST MANAGEMENT</b>		
<b>6. Emerald Ash Borer Program</b>	FTEs 112.0	(0.0)
Reflects continuing reduction in federal support for this program first included in FY 2002-03 budget.	<b>Gross \$23,660,600</b>	<b>(\$10,000,000)</b>
	Federal 23,660,600	(10,000,000)
<b>7. Michigan State University</b>	<b>Gross \$210,000</b>	<b>(\$210,000)</b>
Eliminates line for research and education on environmental protection plans for pesticide use; Department indicates federal grant is no longer available.	Federal 210,000	(210,000)
 <b>ENVIRONMENTAL STEWARDSHIP</b>		
<b>8. Environmental Stewardship</b>	<b>Gross \$2,702,100</b>	<b>\$453,200</b>
Adds \$350,000 GF/GP for Conservation Reserve Enhancement Program (CREP) to address issues of soil erosion, water quality, and wildlife habitat in rural Michigan; adds \$103,200 GF/GP to fund economics.	GF/GP \$2,702,100	\$453,200
<b>9. Migrant Housing</b>	<b>Gross \$100</b>	<b>\$150,000</b>
Recommends \$150,100—current year \$100 placeholder for matching grant program, plus \$150,000 new federal revenue for migrant labor housing grant program.	Federal 0	150,000
	GF/GP \$100	\$0
<b>10. Local Conservation Districts</b>	<b>Gross \$1,516,800</b>	<b>\$1,441,000</b>
Includes \$1.4 million GF/GP for the state's 80 local conservation districts—a 5% reduction from current-year appropriations. Equates to \$18,200 per district, down from \$19,200 in the current year.	GF/GP \$1,516,800	\$1,441,000
 <b>LABORATORY</b>		
<b>11. Laboratory Service</b>	FTEs 60.5	2.0
Transfers \$133,400 in Refined Petroleum Fund revenue, and 2.0 FTEs, from Consumer protection program line for motor fuel quality testing program. Includes \$64,800 in economic increases.	<b>Gross \$5,365,300</b>	<b>\$331,600</b>
	IDG 183,100	6,000
	Federal 361,400	11,800
	Restricted 1,891,000	216,400
	GF/GP \$2,929,800	\$97,400
<b>12. Consumer Protection Program</b>	FTEs 69.5	(2.0)
Reflects transfer of \$133,400 in Refined Petroleum Fund revenue, and 2.0 FTEs from Laboratory services.	<b>Gross \$4,883,800</b>	<b>\$64,800</b>
	Restricted 4,883,800	64,800
 <b>OTHER</b>		
<b>13. Agriculture Development</b>	FTEs 5.0	0.0
Includes \$40,000 in private revenue to replace GF/GP; Department will request assistance from commodity commissions to help fund Department activities in support of those commissions.	<b>Gross \$868,800</b>	<b>\$33,000</b>
	Federal 199,000	7,500
	Private 0	40,000
	Restricted 450,700	3,800
	GF/GP \$219,100	(\$18,300)
<b>14. Building and Track Improvements – County and State Fairs</b>	<b>Gross \$963,200</b>	<b>\$0</b>
No change proposed in line funded with AEIDF revenue.	Restricted 963,200	0

**AGRICULTURE**

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>15. Horse Industry Programs</b>	<b>Gross</b>	<b>\$13,844,800</b>	<b>\$0</b>
Includes \$13.8 million from AEIDF for various line items within the Fairs and expositions appropriations unit, unchanged from current year. Includes \$12.2 million from AEIDF for various horse programs, purses, and awards. Aside from the proposed roll-up of Quarterhorse programs line into Licensed tracks – light horse racing, funding for specific line items unchanged. Also includes \$963,200 for Building and Track Improvements – County and State Fairs, and \$700,000 for Distribution of outstanding winning tickets line, both unchanged from current year. The current year state budget reflects a General Fund target agreement which included the redirection of \$2.0 million from the AEIDF to the state General Fund. This transfer would be effected in House Bill 5498. Although not shown in the State Budget Office list of legislation needed to implement the FY 2006-07 budget, the Executive budget recommendations include the redirection of \$2.0 million from AEIDF to state General Fund again in FY 2006-07.	Restricted	13,844,800	0
<b>16. Office of Racing Commissioner</b>	<b>Gross</b>	<b>\$3,296,400</b>	<b>\$347,700</b>
Transfers \$240,000 State Services Fee revenue from Department of Treasury to reflect transfer of pari-mutuel race track audit function; no FTEs added; Department indicates this audit function is performed by contract auditors. Balance of increase reflects economic adjustments.	Restricted	3,296,400	347,700
<b>17. Economics</b>	<b>Gross</b>	<b>N/A</b>	<b>\$2,545,200</b>
Funds \$2.5 million (net) for economic increases, including salaries and wages, insurance, retirement contributions, and building occupancy. Negotiated salary and wage increases represent 3.5% of base salary and wages. Increases are reflected in various department operating lines, including \$68,200 for information technology.	IDG	N/A	14,500
	Federal	N/A	411,300
	Private		5,100
	Restricted		951,900
	GF/GP		\$1,162,400

**Major Boilerplate Changes from FY 2005-06**

**Sec. 225. Contingency Appropriation Lines – NEW**

Provides \$5.0 million federal contingency funds, \$6.0 million state restricted contingency funds, and \$100,000 each local and private contingency funds; funds could be transferred to increase spending authority in existing line item by action of the House and Senate appropriations committees.

**Summary: Executive Budget Recommendation  
ENVIRONMENTAL QUALITY  
FY 2006-07**

**Analyst: Kirk Lindquist**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$18,031,100	\$18,233,600	\$202,500	1.1
<b>Federal</b>	144,062,700	140,338,500	(3,724,200)	(2.6)
<b>Local</b>	0	0	0	0.0
<b>Private</b>	450,000	450,000	0	0.0
<b>Restricted</b>	260,842,600	177,878,000	(82,964,600)	(31.8)
<b>GF/GP</b>	31,809,600	33,328,400	1,518,800	4.8
<b>Gross</b>	<b>\$455,196,000</b>	<b>\$370,228,500</b>	<b>(\$84,967,500)</b>	<b>(18.7)</b>
<b>FTEs</b>	1,573.2	1,567.7	(5.5)	(0.3)

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Environmental Quality supports environmental protection, conservation, and cleanup and redevelopment programs and regulatory efforts established to protect, restore, and reuse Michigan's air, water, and land resources. More than half of Department's annual revenue is collected from permits and licenses.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Underground Storage Tank Cleanup</b>	<b>Gross</b>	<b>\$102,000,000</b>	<b>(\$81,900,000)</b>
Removes one-time Refined Petroleum Fund revenue for storage tank cleanup (initial support at \$45.0 million); reduces funding to reflect expected annual revenue; FY 2005-06 appropriations reimbursed owner/operators for cleanup costs.	Restricted	102,000,000	(81,900,000)
<b>2. Contaminated Site Investigation/Cleanup Program</b>	<b>Gross</b>	<b>\$21,702,200</b>	<b>\$0</b>
Adjusts program funding sources to include \$2.0 million GF/GP and \$1.0 million Environmental Protection Fund; Cleanup Redevelopment Fund can no longer support expenses of cleanup program. Assumes \$12.0 million appropriation to Cleanup Redevelopment Fund from Cleanup Redevelopment Trust Fund in FY 2005-06 and approval of FY 2005-06 supplemental transferring \$7.0 million from Community Pollution Prevention Fund to Environmental Protection Fund.	Private	150,000	0
	Restricted	21,552,200	(2,000,000)
	GF/GP	\$0	\$2,000,000
<b>3. Drinking Water Grants</b>	<b>Gross</b>	<b>\$113,053,500</b>	<b>(\$6,073,600)</b>
Reduces federal support to reflect expected grant level; general fund is reduced to reflect matching requirements.	Federal	85,000,000	(5,000,000)
	Restricted	21,200,000	0
	GF/GP	\$6,853,500	(\$1,073,600)
<b>4. Wastewater Treatment System Plan Review</b>	FTEs	98.1	(4.0)
Eliminates four engineer positions that review plans and issue permits for new wastewater treatment systems.	<b>Gross</b>	<b>\$15,281,200</b>	<b>(\$367,500)</b>
	Federal	3,916,400	0
	Restricted	8,077,700	0
	GF/GP	\$3,287,100	(\$367,500)

**ENVIRONMENTAL QUALITY**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>5. Clean Michigan Initiative Administrative Support</b>	<b>Gross</b>	<b>\$21,702,200</b>	<b>(\$1,900,000)</b>
Reduces contaminated Site Investigation program to reflect ending of 3% CMI bond set-aside for program administration; FY 2006-07 Department support from CMI Administration subfund is \$1.3 million.	Private	150,000	0
	Restricted	21,552,200	(1,900,000)
<b>6. Land and Water Management Permit Fees</b>	<b>Gross</b>	<b>\$12,750,200</b>	<b>\$0</b>
Shifts \$1.6 million restricted funds from permit fees to Environmental Protection Fund (insufficient revenue exists for division regulatory programs); fund shift depends on passing FY 2005-06 supplemental transferring \$7.0 million from community pollution prevention fund to Environmental Protection Fund.	IDG	908,100	0
	Federal	3,292,300	0
	Restricted	3,286,000	0
	GF/GP	\$5,263,800	\$0
<b>7. Manufactured Housing Fees</b>	<b>Gross</b>	<b>\$16,052,700</b>	<b>(\$633,300)</b>
Eliminates deduct for Manufactured Housing Fees; legislation to increase the fees has not been enacted and program funding is not available from Department of Labor and Economic Growth.	Federal	9,620,200	0
	Restricted	4,649,300	(633,300)
	GF/GP	\$1,783,200	\$0
<b>8. Real Time Water Quality Monitoring</b>	<b>Gross</b>	<b>\$250,000</b>	<b>(\$250,000)</b>
Eliminates one-time funds for pilot water quality monitoring project in Lake St. Clair watershed.	Restricted	250,000	250,000
<b>9. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$5,777,800</b>
Provides support for negotiated civil service 3.5% wage increase, retirement plan contributions, and employer share of health insurance premiums.	IDG		175,300
	Federal		1,275,800
	Restricted		3,227,900
	GF/GP	N/A	\$1,098,800

**Major Boilerplate Changes from FY 2005-06**

**Sec. 212. Contingency Fund Transfer Language – NEW**

Allows spending authorization to be increased through the legislative transfer process.

**Sec. 208. Restricted Fund Revenue, Expenditures, and Fund Balances – DELETED**

Requires report on fund revenue, spending, and estimated year-end balance for each restricted fund appropriated in this act.

**Sec. 209. Department Grant and Loan Programs – DELETED**

Requires report describing available grant and loan programs, criteria used for awards, and list of recipients.

**Sec. 210. Great Lakes Water Diversion – DELETED**

Requires notifying the Legislature and providing public meetings on any request received by the state to divert water from the Great Lakes.

**Sec. 212. Appropriations for Environmental Cleanup Projects – DELETED**

Specifies that available funds be appropriated for environmental cleanup and redevelopment and leaking underground storage tank programs to clean up any legislatively-approved cleanup site; appropriates unspent funds from cleanup and redevelopment fund, bottle deposits fund, and Clean Michigan Initiative bond response activities fund for expenditure for any site listed in an appropriation act.

**Sec. 218. Michigan Great Lakes Areas of Concern – DELETED**

Directs Department to develop a strategy, with the federal EPA and public advisory councils, to remove Michigan's Great Lakes Areas of Concern from the federal list.

**Sec. 219. Prohibition of Disciplinary Actions For Legislative Contacts – DELETED**

Stipulates that state employees who communicate with the Michigan Legislature shall not be disciplined.

**Sec. 401. Air Quality Program Revenue and Expenditures – DELETED**

Requires report on annual expenditures and revenue by fund source and by program function.

**Sec. 501. Bond Fund Report – DELETED**

Requires report on amount and disposition of bond funds and description of activities supported from bond revenue.

**Sec. 601. Stream Habitat Project Fees – DELETED**

Allows waiving permit fees for nonprofit organizations conducting approved stream habitat improvement projects.

**Sec. 702. Underground Storage Tank Cleanup Site List – DELETED**

Provides a list of cleanup sites; prohibits Department from spending \$42.0 million for cleanup efforts until program is authorized in statute.

**Sec. 703. Underground Storage Tank Initial Cleanup – DELETED**

Requires that \$45.0 million appropriation be used for Advisory Council recommendations for owner/operator reimbursements.

**Sec. 704. Human Exposure Risk Assessment – DELETED**

Requires adopting area-wide risk assessment criteria, established through peer review studies of bioavailability and levels of human exposure.

**Sec. 801. Petroleum Related "Red Tag" Notices– DELETED**

Requires Department to notify the Legislature 48 hours before suspending the sale of petroleum products, unless imminent public safety concerns exist.

**Sec. 802. Waste Disposal in Deep Wells, Cities of Romulus and Taylor – DELETED**

Requires report to City of Romulus and/or City of Taylor if hazardous waste or hazardous waste constituents are discharged or released.

**Sec. 902. Federal Drinking Water Act Technical Assistance – DELETED**

Specifies allocation of 2% of available funds for safe drinking water technical assistance activities.

**Sec. 903. Groundwater Use Rule Promulgation – DELETED**

Directs Department to not promulgate rules regarding groundwater use or withdrawal unless it implements provisions of 2003 Parts 148 and 177.

**Sec. 1001. Solid Waste Disposal Facility Inspections – DELETED**

Requires periodic inspections of Michigan disposal sites receiving out-of-state solid waste.

**Sec. 1102. Scrap Tire Fire Suppression Costs – DELETED**

Provides \$100,000 for grants to communities to cover scrap tire suppression costs, provided that owner liability bonds and other available funding sources have been exhausted.

**Summary: Executive Budget Recommendation  
NATURAL RESOURCES  
FY 2006-07**

**Analyst: Kirk Lindquist**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$3,691,200	\$3,765,900	\$74,700	2.0
<b>Federal</b>	38,990,200	42,964,300	3,974,100	10.2
<b>Local</b>	0	0	0	0.0
<b>Private</b>	2,090,100	2,125,100	35,000	1.7
<b>Restricted</b>	202,578,400	213,043,300	10,464,900	5.2
<b>GF/GP</b>	25,593,200	25,119,600	(473,600)	(1.9)
<b>Gross</b>	<b>\$272,943,100</b>	<b>\$287,018,200</b>	<b>\$14,075,100</b>	<b>5.2</b>
<b>FTEs</b>	2,079.5	2,093.4	13.9	0.7

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of Natural Resources manages, conserves, and protects Michigan's resources. Programs include forest management, land and minerals management, wildlife and fisheries management, conservation law enforcement, and state parks and forest campgrounds.

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>1. Marine Safety Grants – Federal Grant Increase</b>	<b>Gross</b>	<b>\$2,805,000</b>	<b>\$1,470,000</b>
Reflects available federal U.S. Coast Guard funds for county sheriffs for lake safety and watercraft enforcement activity on inland lakes.	Federal	0	1,470,000
	Restricted	2,805,000	0
<b>2. Marine Safety Enforcement Program</b>	<b>Gross</b>	<b>\$27,111,100</b>	<b>\$1,470,000</b>
Provides federal U.S. Coast Guard grant funds for inland lakes and Great Lakes enforcement activities; funds will be used to purchase equipment.	Federal	3,895,600	1,470,000
	Restricted	21,073,500	0
	GF/GP	\$2,142,000	\$0
<b>3. State Park Camping Fees</b>	<b>Gross</b>	<b>\$41,289,500</b>	<b>\$3,500,000</b>
Provides increased funding for state park operations available through the latest increase in camping fees.	Federal	113,800	0
	Private	344,200	0
	Restricted	40,831,500	3,500,000
<b>4. Forest Fire Protection Funding Shift</b>	<b>Gross</b>	<b>\$10,421,400</b>	<b>\$0</b>
Increases Forest Development Fund and reduces GF/GP for fire suppression on non-state lands.	Federal	824,200	0
	Restricted	4,653,000	1,500,000
	GF/GP	\$4,944,200	(\$1,500,000)
<b>5. Payments in Lieu of Taxes – Purchased Lands</b>	<b>Gross</b>	<b>\$5,050,000</b>	<b>\$350,000</b>
Provides full funding for payments in lieu of property taxes to local taxing authorities.	Restricted	2,700,000	0
	GF/GP	\$2,350,000	\$350,000
<b>6. National Recreational Trails Grants</b>	<b>Gross</b>	<b>\$1,850,000</b>	<b>\$300,000</b>
Increases federal grant program to develop and maintain recreational trails.	Private	50,000	0
	Federal	1,800,000	300,000

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>7. Wildlife Management – Sportsmen Against Hunger</b> Includes newly enacted program in the Wildlife appropriation.	<b>Gross</b> \$24,567,800	<b>\$250,000</b>
	Federal 10,029,800	0
	Private 108,500	0
	Restricted 12,692,200	250,000
	GF/GP \$1,737,300	\$0
<b>8. Economic Adjustments</b> Provides support for negotiated civil service 3.5% wage increase, retirement plan contributions, and employer share of health insurance premiums.	<b>Gross</b> N/A	<b>\$6,472,800</b>
	IDG	74,700
	Federal	734,100
	Private	35,000
	Restricted	5,192,700
	GF/GP N/A	\$436,300

**Major Boilerplate Changes from FY 2005-06**

***Sec. 212. Contingency Fund Transfer Language – NEW***

Allows spending authorization to be increased through the legislative transfer process.

***Sec. 207. Privatization Project Plans – DELETED***

Specifies that a project plan be provided to appropriations committees 60 days before any effort to privatize and evaluation of the effort 30 months after the project is completed.

***Sec. 211. Department Grant and Loan Programs – DELETED***

Requires report describing available grant and loan programs, criteria used for awards, and list of recipients.

***Sec. 212. Game and Fish Protection Fund Appropriations – DELETED***

Lists appropriations to other state departments from the Game and Fish Protection Fund.

***Sec. 213. Waterways Fund Projects – DELETED***

Requires report on activities of Waterways Commission during the previous fiscal year and list of funded waterways fund projects, be provided to the Legislature and Department of Management and Budget by January 16, 2006.

***Sec. 220. Prohibition of Disciplinary Actions For Legislative Contacts – DELETED***

Provides that state employees who communicate with the Michigan Legislature shall not be disciplined.

***Sec. 402. Land Acquisition Fee Charges – DELETED***

Allows a standard percentage fee to be charged against land acquisition projects to recover actual service costs.

***Sec. 404. Fish Advisories in the Fishing Guide – DELETED***

Directs Department to include website address for information on fishing advisories issued by Department of Community Health.

***Sec. 405. Land Transactions – DELETED***

Requires a quarterly report to the Legislature on land purchases, sales and exchanges.

***Sec. 406. Turkey License Sales – DELETED***

Provides for sale of turkey licenses not allotted before the beginning of the season.

***Sec. 503. Cormorant Control Study – DELETED***

Requires action plan to reduce cormorant population impacts on Michigan fisheries.

***Sec. 703. Defibrillators in State Parks – DELETED***

Directs Department to maintain defibrillators placed in state parks.

***Sec. 804. Timber Marking – DELETED***

Directs Department, subject to forest certification process, to mark, and prepare for harvest, 63,000 acres at an average rate of 12.5 to 13.0 cords per acre; consideration to be given to impact of timber harvesting on wildlife habitat and recreation uses; requires quarterly report.

**NATURAL RESOURCES**

**Sec. 807. ORV Trail Development – DELETED**

Requires a plan to increase the number of miles of ORV trails by 25% over four years.

**Sec. 901. Snowmobile Law Enforcement Grants – DELETED**

Provides snowmobile law enforcement grant funds to county law enforcement agencies in counties with state snowmobile trails.

**Sec. 1102. Federal Land and Water Conservation Fund Grants – DELETED**

Coordinates federal land acquisition grants with Natural Resources Trust Fund grants to minimize matching requirements for local governmental units.

**FY 2006-07  
Budget Detail  
for**

**SAFETY AND DEFENSE**

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**Military and Veterans Affairs  
State Police**

**Summary: Executive Budget Recommendation  
MILITARY AND VETERANS AFFAIRS  
FY 2006-07**

**Analyst: Jan Wisniewski**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$1,656,800	\$1,664,600	\$7,800	0.5
<b>Federal</b>	49,537,200	51,190,700	1,653,500	3.3
<b>Local</b>	0	1,253,100	1,253,100	N/A
<b>Private</b>	1,355,800	1,366,300	10,500	0.8
<b>Restricted</b>	27,360,500	26,202,700	(1,157,800)	(4.2)
<b>GF/GP</b>	37,789,100	40,640,200	2,851,100	7.5
<b>Gross</b>	<b>\$117,699,400</b>	<b>\$122,317,600</b>	<b>\$4,618,200</b>	<b>3.9</b>
<b>FTEs</b>	1,023.0	1,022.0	(1.0)	(0.1)

Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.

**Overview**

The Department of Military and Veterans Affairs is charged with the training and administration of Army and Air National Guard forces, providing combat-ready military forces during times of national emergency, and performing civil relief operations under the command of the governor during state emergencies. The Department's budget includes administrative and maintenance costs associated with these responsibilities and several National Guard-related programs such as the Challenge Program and the National Guard Education Assistance Program. The Department has oversight over the following veterans-related programs: state-licensed nursing care at veterans homes in Grand Rapids and Marquette, grant funding to veterans service organizations, and the Michigan Veterans Trust Fund.

**Major Budget Changes from FY 2005-06 YTD**

		<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>1. Departmentwide Accounts – Military Retirement</b>	<b>Gross</b>	<b>\$1,656,800</b>	<b>\$166,800</b>
Provides 3.4% cost of living increase due to federal requirements.	Federal	1,266,100	0
	GF/GP	\$390,400	\$166,800
<b>2. Challenge Program</b>	<b>Gross</b>	<b>\$4,035,900</b>	<b>\$500,000</b>
Shifts School Aid funding to replace GF/GP to support two 150-pupil classes, increasing the program by 100 pupils.	IDG	656,800	0
	Federal	1,739,200	0
	Private	790,800	0
	Restricted	100,000	1,253,100
	GF/GP	\$749,100	(\$753,100)
<b>3. Grand Rapids Veterans Home – Restricted Fund Offset</b>	<b>Gross</b>	<b>\$45,416,700</b>	<b>\$0</b>
Provides GF/GP funding to offset a reduction in restricted funds.	Federal	15,322,500	0
	Restricted	16,041,400	(1,200,000)
	GF/GP	\$14,052,800	\$1,200,000
<b>4. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$3,992,400</b>
Provides funding for employee economic adjustments.	IDG	N/A	7,800
	Federal	N/A	1,653,500
	Private	N/A	10,500
	Restricted	N/A	42,200
	GF/GP	N/A	\$2,278,400

**Major Boilerplate Changes from FY 2005-06**

***Sec. 207. Privatization – DELETED***

Requires Department to report to House and Senate appropriations subcommittees on any effort to privatize.

***Sec. 213. National Guard Armory Closings or Consolidations – DELETED***

Requires Department to consult with House and Senate appropriations subcommittees regarding closing or consolidating National Guard armories.

***Sec. 226. Employee Disciplinary Actions – DELETED***

Requires that no disciplinary action be taken against employees for communicating with legislators or staff.

***Sec. 227. Sale of Department Property – DELETED***

Directs Department to notify House and Senate subcommittees and the fiscal agencies sixty days prior to public announcement to sell department property.

***Sec. 228. Contingency Funds – NEW***

Appropriates \$5.0 million federal contingency funds, \$2.0 million state restricted contingency funds, \$100,000 local contingency funds, and \$100,000 private contingency funds.

***Sec. 301. Armory Rental Fee – DELETED***

Allows Department to charge rental and equipment fees for renting an armory.

***Sec. 302. Challenge Program Donations – REVISED***

Provides direction for use of Challenge Program funds; new subsection requires Department to insure that 75% of program participants are members of families with incomes at or below the 200% federal poverty level.

***Sec. 303. Challenge Program Pupil Increase and School Aid Fund Shift – NEW***

Directs Department to operate two Challenge Program classes of at least 150 pupils each, and to utilize funding from school districts that receive School Aid funding.

***Sec. 601. Veterans and Veterans' Families – DELETED***

Requires that appropriations for the two veterans' homes be used only for veterans and veterans' families.

***Sec. 602. Veterans Homes Annual Report – DELETED***

Directs Department to report to House and Senate appropriations subcommittees on population and bed space, services and activities for members, financial information, licensure status, and Medicaid certification for the two veterans' homes.

***Sec. 704. County Veterans Counselors Training – DELETED***

Requires veterans affairs directorate administration and Michigan veterans trust fund administration to train county veterans counselors for execution of their duties.

***Sec. 705. Michigan Veterans Trust Fund Dedicated Funding Source – DELETED***

Establishes legislative intent for providing a dedicated funding source for the veterans' survivors tuition program other than revenue from the Michigan veterans' trust fund.

**Summary: Executive Budget Recommendation  
STATE POLICE  
FY 2006-07**

**Analyst: Jan Wisniewski**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$20,736,300	\$22,642,400	\$1,906,100	9.2
<b>Federal</b>	182,821,000	181,013,300	(1,807,700)	(1.0)
<b>Local</b>	5,597,900	8,088,900	2,491,000	44.5
<b>Private</b>	11,200	80,300	69,100	617.0
<b>Restricted</b>	106,282,100	111,373,200	5,091,100	4.8
<b>GF/GP</b>	235,361,600	255,298,700	19,937,100	8.5
<b>Gross</b>	<b>\$550,810,100</b>	<b>\$578,496,800</b>	<b>\$27,686,700</b>	<b>5.0</b>
<b>FTEs</b>	2,900.0	2,903.0	3.0	0.1

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of State Police provides a wide range of law enforcement services—including highway patrol, criminal investigations, forensic sciences, motor carrier enforcement, emergency management, highway safety planning, fire investigation, criminal justice data processing, and various specialized law enforcement services. The Department's responsibilities also include oversight of law enforcement standards in the state through the Michigan Commission on Law Enforcement Standards and administration of several law enforcement-related grant programs.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Civilian Retirement Rate Adjustment</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$92,700)</b>
Adjusts IDG, restricted, local and federal funding in various line items for civilian retirement.	IDG	N/A	(11,900)
	Federal	N/A	(48,900)
	Local	N/A	(1,500)
	Restricted	N/A	(30,400)
<b>2. Michigan Justice Training Fund (MJTF)</b>	<b>Gross</b>	<b>\$11,102,100</b>	<b>\$0</b>
Shifts MJTF grant administration cost from Michigan Justice Training Fund to GF/GP; includes \$126,200 GF/GP in Executive Direction line and \$1.8 million GF/GP in Justice Training Grants line.	Restricted	11,102,100	(1,900,000)
	GF/GP	\$0	\$1,900,000
<b>3. At-Post Troopers Fund Shift</b>	<b>Gross</b>	<b>\$121,088,200</b>	<b>\$0</b>
Shifts restricted funds to GF/GP to cover restricted fund shortfall in Traffic Law Enforcement and Safety Fund.	Restricted	46,754,400	(2,000,000)
	GF/GP	\$74,333,800	\$2,000,000
<b>4. Human Resources Service Center User Charges</b>	<b>Gross</b>	<b>\$88,600</b>	<b>\$85,000</b>
Increased fees for user charges in Human Resources Optimization line.	Restricted	2,600	17,000
	GF/GP	\$86,000	\$68,000
<b>5. Management Services - Consolidate Gaylord and Bridgeport Regional Dispatch Centers</b>	<b>Gross</b>	<b>\$2,436,300</b>	<b>(\$240,000)</b>
Consolidates Gaylord and Bridgeport Regional Dispatch Centers to increase departmental efficiencies.	Restricted	117,800	0
	GF/GP	\$2,318,500	(\$240,000)

**Major Budget Changes from FY 2005-06 YTD**

	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>6. Savings Via Agency Attrition</b>	FTEs	N/A (17.0)
Reflects savings due to expected attrition of 17.0 FTEs in various lines.	<b>Gross</b>	<b>N/A (\$1,721,700)</b>
	Federal	N/A (25,500)
	Restricted	N/A (35,200)
	GF/GP	N/A (\$1,661,000)
<b>7. School Bus Inspections Fund Shift</b>	<b>Gross</b>	<b>\$1,284,800 \$0</b>
Replaces GF/GP with restricted School Aid Fund revenue to allow local school districts to pay for school bus inspections by State Police with School Aid funds; requires a change in statutory language.	Local	0 1,284,800
	GF/GP	\$1,284,800 (\$1,284,800)
<b>8. Federal/State Restricted Authorization Increase</b>	<b>Gross</b>	<b>N/A \$3,100,300</b>
Increases various lines; includes \$1.0 million local subscriber fees for Michigan Public Safety Communications System, \$1.0 million reimbursed services for training academy costs from Department of Corrections, and \$600,000 reimbursed services provided to governmental and non-governmental organizations.	IDG	N/A 1,000,000
	Federal	N/A 200,000
	Local	N/A 1,000,000
	Private	N/A 63,800
	Restricted	N/A 836,500
<b>9. Federal/State Restricted Authorization Decrease</b>	<b>Gross</b>	<b>N/A (\$3,068,000)</b>
Decreases various lines; includes \$1.1 million expired Commercial Vehicle Information Systems Network grant, \$1.0 million from federal Department of Justice to reflect actual collections, and \$728,500 for an expired federal toxicology grant.	Federal	N/A (3,018,700)
	Restricted	N/A (49,300)
<b>10. State Restricted Authorization Increase</b>	<b>Gross</b>	<b>N/A \$7,065,300</b>
Adds several new programs; includes \$3.6 million for Auto Theft Prevention Program and \$3.0 million for Criminal Justice Information Center due to increases in fingerprinting services.	Restricted	N/A 7,065,300
<b>11. Economic Adjustments</b>	<b>Gross</b>	<b>N/A \$20,308,500</b>
Provides funding for employee economic adjustments.	IDG	N/A 918,000
	Federal	N/A 1,125,800
	Local	N/A 207,700
	Private	N/A 5,300
	Restricted	N/A 1,146,800
	GF/GP	N/A \$16,904,900

**Major Boilerplate Changes from FY 2005-06**

**Sec. 206. Contingency Funds – NEW**

Appropriates \$10.0 million federal contingency funds, \$3.5 million state restricted contingency funds, \$1.0 million local contingency funds, and \$200,000 private contingency funds.

**Sec. 207. Privatization – DELETED**

Requires Department to report to House and Senate appropriations subcommittees on any effort to privatize.

**Sec. 211. Reimbursement of Departmental Personnel – DELETED**

States legislative intent for reimbursement of expenses related to the operation of the department within 30 days after an employee submits a reimbursement request.

**Sec. 213. Contractual Services – DELETED**

States legislative intent that Department not provide subsidies for contractual services provided to local governments and other entities.

**Sec. 215. Casino Gaming Oversight – DELETED**

Requires annual report to House and Senate appropriations subcommittees and the fiscal agencies concerning various casino gaming activities.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 216. Vehicle Identification Numbers – REVISED***

Directs Department to collect and computerize vehicle identification numbers of vehicles entered in state accident data collection system and make the information available at cost; revision requires collected revenue to be used for collection, validation, storage, and dissemination of accident data.

***Sec. 217. School Violence Hotline – DELETED***

Directs Department to maintain a toll-free hotline with Department of Education to allow individuals an opportunity to report threats of school violence or other juvenile criminal activity.

***Sec. 218. At-Post Trooper Strength – DELETED***

Requires funds for At-Post Troopers be expended only for trooper salaries, benefits, retirement, equipment, supplies, and other expenses directly related to general law enforcement duties; requires that a trooper school be conducted if trooper strength falls below 1,075; requires quarterly trooper strength report to House and Senate appropriations subcommittees.

***Sec. 219. Notification of Post Closure or Consolidation – DELETED***

Directs Department to notify House and Senate appropriations subcommittees and the fiscal agencies not less than 180 days before recommending closing or consolidating any posts.

***Sec. 220. General Law Enforcement Assistance to Communities – DELETED***

Requires Department to provide general law enforcement assistance to communities without local law enforcement resources until adequate law enforcement services are provided by other means.

***Sec. 224. Disciplinary Action Against Employees – DELETED***

Directs Department to not take disciplinary action against employees for communicating with legislators or staff.

***Sec. 225. Michigan Justice Training Fund Grants – DELETED***

States legislative intent to utilize funding from the Michigan Justice Training Fund only for grant purposes and not administrative purposes in the Department.

***Sec. 304. Departmental Policies for Law Enforcement Information Network (LEIN) – DELETED***

Requires Department to report to House and Senate appropriations committees concerning department policies for access to and use of information from the LEIN system.

***Sec. 305. Suspected LEIN System Abuses – DELETED***

Encourages Criminal Justice Information Systems Policy Council to monitor suspected illegal use of the LEIN system and inform House and Senate appropriations committees of any illegal or criminal LEIN related acts.

***Sec. 306. LEIN System Probation Information – DELETED***

Requires Department and Criminal Justice Information Systems Policy Council to implement procedures for placing probation information on LEIN system; requires report of recommended amendments for code of criminal procedure to House and Senate appropriations subcommittees.

***Sec. 307. Facilitation of the Michigan Public Safety Communications System (MPSCS) – DELETED***

Directs Department to facilitate use of MPSCS towers between Department of Information Technology and local public safety agencies; requires report on progress of MPSCS usage by local agencies to House and Senate appropriations subcommittees.

***Sec. 502. Evidence Collection Recommendations – DELETED***

Directs Department to work with Department of Community Health, Michigan Health and Hospital Association, Michigan State Medical Society, and Michigan Nurses Association to ensure Standard Recommended Procedures for the Emergency Treatment of Sexual Assault Victims are followed in evidence collection.

***Sec. 602. Firearms Laws Training – DELETED***

Requires that sufficient funds be used for training law enforcement officers with federal firearms laws and procedures for turning over cases to federal law enforcement agencies.

***Sec. 802. Statewide Emergency Management Computer Network Purchases – DELETED***

Requires Department to not make any purchases related to a statewide emergency management computer network unless authorized by Department of Information Technology.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 803. Homeland Security Grants – DELETED***

Directs Emergency Management division to ensure Homeland Security grants are allocated to first responder entities in the highest percentage possible and Homeland Security grants awarded to City of Detroit not supplant city general funds designated for first responder operations.

***Sec. 1101. Areas Near a State Prison – DELETED***

Ensures that areas with state prisons do not experience a downgrading of State Police services.

***Sec. 1201. School Bus Inspection – DELETED***

Requires department to report school bus inspection information to the House and Senate appropriations subcommittees and the fiscal agencies and to award certificates to school systems that receive 100% successful inspections on the first inspections.



**FY 2006-07  
Budget Detail  
for  
ALL OTHERS**

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**Capital Outlay  
History, Arts, and Libraries  
Judiciary  
Transportation**

**CAPITAL OUTLAY**

**Summary: Executive Budget Recommendation  
CAPITAL OUTLAY  
FY 2006-07**

**Analyst: Al Valenzio**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$2,000,000	\$2,000,000	\$0	0.0
<b>Federal</b>	155,382,600	147,974,300	(7,408,300)	(4.8)
<b>Local</b>	20,784,200	12,648,300	(8,135,900)	(39.1)
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	45,736,000	53,350,300	7,614,300	16.6
<b>GF/GP</b>	4,401,900	2,200	(4,399,700)	(99.9)
<b>Gross</b>	<b>\$228,304,700</b>	<b>\$215,975,100</b>	<b>(\$12,329,600)</b>	<b>(5.4)</b>
<b>FTEs</b>	0.0	0.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Michigan Capital Outlay process encompasses the budgetary and administrative functions devoted to financing and planning for acquisition, construction/renovation, and maintenance of facilities used by a state agency, public university, or community college. General operational practices and procedures are contained in the Management and Budget Act (1984 PA 431), the State Building Authority Act (1964 PA 183), the annual Capital Outlay Appropriations Act, and the formal policies of the Legislative Joint Capital Outlay Subcommittee. Act 431 contains numerous oversight and approval action steps that define the respective roles of the Executive and Legislative Branches. The State Building Authority (SBA) finances most major state-owned facility renovations and new construction projects through issuance of revenue bonds. Debt service on these bonds is based on the respective individual facility's economic or market value, and is appropriated as rent. The SBA statutory bonded indebtedness ceiling is currently \$2.7 billion.

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>DEPARTMENT OF AGRICULTURE</b>			
<b>1. Farmland and Open Space Development Acquisition</b>	<b>Gross</b>	<b>\$7,500,000</b>	<b>(\$3,750,000)</b>
Reductions reflect anticipated spending in FY 2006-07.	Federal	2,500,000	(1,250,000)
	Restricted	5,000,000	(2,500,000)
<b>DEPARTMENT OF MANAGEMENT AND BUDGET</b>			
<b>2. Grants</b>	<b>Gross</b>	<b>\$4,400,000</b>	<b>(\$4,400,000)</b>
Eliminates \$4.0 million for Detroit Zoological Society, \$300,000 for Chaldean Community Cultural Center, and \$100,000 for Holocaust Memorial Museum.	GF/GP	\$4,400,000	(\$4,400,000)
<b>SBA FINANCED CONSTRUCTION PROJECTS</b>			
<b>3. State Agency Facility Preservation Projects – Phase III</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Authorizes additional \$50.0 million (SBA) for special maintenance projects on state owned buildings; Phase I (\$70.0 million authorized by 2005 PA 11) included Capitol Building and State Police Radio System upgrades; Phase II (\$70.0) million authorized by 2005 PA 297.	GF/GP	\$0	\$100
<b>4. State Park Improvement Projects</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Authorizes \$20.0 million for facility improvements at state parks and recreation areas; supplements previous Clean Michigan Initiative bond projects and State Park Improvement Fund appropriations.	GF/GP	\$0	\$100

**Major Budget Changes from FY 2005-06 YTD**

		<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
<b>5. Kirtland Community College – Campus Wide Water Well System</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Provides \$1.0 million total authorization; financing to be split evenly between the college and state. Project entails drilling at least two new wells; construction of a well house, a 100,000 gallon elevated storage tank, and installation of a back-up power source.			
<b>6. Eliminate One-Time Construction Authorizations</b>	<b>Gross</b>	<b>\$1,900</b>	<b>(\$1,900)</b>
	GF/GP	\$1,900	(\$1,900)
Authorizes 19 projects received cost and construction in FY 2005-06.			
<b>7. Project Planning Authorization – Regional Economic Development Initiative</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Commits \$100.0 million for state/local partnerships; local governments and economic development organizations will submit potential projects; key selection criteria include job creation and potential statewide economic impact.			
<b>SBA UNIVERSITY AND COMMUNITY COLLEGE PROJECT PLANNING AUTHORIZATION</b>			
<b>8. Eastern Michigan University Pray-Harrold Addition/ Modernization</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$52.7 million project (\$39.5 million state share).			
<b>9. Lake Superior State University – South Hall Reconstruction</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$10.0 million project (\$7.5 million state share).			
<b>10. Northern Michigan University – Cohodas Building Adaptive Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$15.6 million project (\$11.7 million state share).			
<b>11. Oakland University – Engineering Center</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$64.4 million project (\$40.0 million state share).			
<b>12. University of Michigan-Dearborn – Teacher Preparation Facility/ Child Development Center</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$6.0 million project (\$4.5 million state share).			
<b>13. Delta College – Health and Wellness Programs–F Wing</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$11.3 million project (\$5.6 million state share).			
<b>14. Grand Rapids Community College – Lifelong Learning Center</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$21.9 million project (\$10.9 million state share).			
<b>15. Henry Ford Community College – Instructional Technology and Infrastructure Improvements</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$12.2 million project (\$6.1 million state share).			
<b>16. Kalamazoo Valley Community College – Texas Township Campus Expansion</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$7.1 million project (\$3.5 million state share).			
<b>17. Kellogg Community College – Classroom C Building Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$4.0 million project (\$2.0 million state share).			
<b>18. Lake Michigan College – Emerging Technologies Initiative</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
	GF/GP	\$0	\$100
Allows planning; \$7.0 million project (\$3.5 million state share).			

**CAPITAL OUTLAY**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>19. Monroe County Community College – Classroom Technology and Environmental Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$2.2 million project (\$1.1 million state share).	GF/GP	\$0	\$100
<b>20. C. S. Mott Community College – Library Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$8.2 million project (\$4.1 million state share).	GF/GP	\$0	\$100
<b>21. Muskegon Community College – Museum/Art Project</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$10.0 million project (\$5.0 million state share).	GF/GP	\$0	\$100
<b>22. North Central Michigan College – University and Science Center</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$16.3 million project (\$8.2 million state share).	GF/GP	\$0	\$100
<b>23. Oakland Community College – Building A Addition and Renovations</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$32.1 million project (\$16.0 million state share).	GF/GP	\$0	\$100
<b>24. St. Clair County Community College – Health and Human Services Center</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$7.0 million project (\$3.5 million state share).	GF/GP	\$0	\$100
<b>25. Wayne County Community College – Northwest Campus Replacement</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
Allows planning; \$42.0 million project (\$21.0 million state share).	GF/GP	\$0	\$100
<b>DEPARTMENT OF TRANSPORTATION</b>			
<b>26. Airport Safety – Protection and Improvement Program</b>	<b>Gross</b>	<b>\$157,734,400</b>	<b>\$5,168,200</b>
Funds security/general improvement projects at more than 100 local and state airports.	Federal	125,000,000	12,254,300
	Local	20,000,000	(7,351,700)
	Restricted	12,734,400	265,600
<b>27. Detroit Integrated Transportation Campus</b>	<b>Gross</b>	<b>\$0</b>	<b>\$13,187,000</b>
Funds \$17.5 million facility to house a transportation service center, Michigan Intelligent Transportation System command center, State Police dispatch operations, and SMART and Greyhound lease space.	Restricted	0	13,187,000
<b>28. Oakland County Transportation Service Center (TSC)</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,500,000</b>
Authorizes construction of 15,000 sq. ft. TSC; includes funds to purchase land (current TSC is in leased space).	Restricted	0	2,500,000
<b>29. Bay City Transportation Service Center Addition</b>	<b>Gross</b>	<b>\$0</b>	<b>\$550,000</b>
Authorizes construction.	Restricted	0	550,000
<b>30. Gladstone Bituminous Testing Laboratory</b>	<b>Gross</b>	<b>\$0</b>	<b>\$400,000</b>
Authorizes construction of 60' x 40' facility and renovation of vacated space for equipment storage.	Restricted	0	400,000
<b>31. Washbay Additions and Various Maintenance Garages</b>	<b>Gross</b>	<b>\$250,000</b>	<b>\$313,300</b>
Authorizes construction of vehicle washbays at Sawyer (\$283,300) and Brighton (\$280,000) maintenance facilities.	Restricted	250,000	313,300
<b>32. Completed Project Financing</b>	<b>Gross</b>	<b>\$3,398,200</b>	<b>(\$3,398,200)</b>
Reflects completed projects or projects that do not need additional financing.	Local	784,200	(784,200)
	Restricted	2,614,000	(2,614,000)

**CAPITAL OUTLAY****Major Budget Changes from FY 2005-06 YTD**

	<u>FY 2005-06 YTD</u>	<u>Executive Change</u>
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**DEPARTMENT OF NATURAL RESOURCES**

<b>33. <i>Wildlife – Statewide Wetlands Acquisitions</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,000,000</b>
Provides lump-sum contingency account to purchase lands when available; priority is for private in-holdings to consolidate existing state ownership.	Restricted	0	2,000,000
<b>34. <i>Waterways – State Infrastructure Improvements</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$4,720,000</b>
Provides lump-sum contingency account for emergency repairs, preventive/routine maintenance, small projects, and utility upgrades at state harbors and docks; also supports engineering work.	Federal	0	1,470,000
	Restricted	0	3,250,000
<b>35. <i>Waterways – Local Infrastructure Improvements</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,250,000</b>
Provides lump-sum contingency account for emergency repairs, preventive/routine maintenance, small projects, and utility upgrades at locally owned harbors and docks; also supports engineering work.	Restricted	0	2,250,000
<b>36. <i>Waterways – Land Acquisitions</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,330,000</b>
Provides lump-sum contingency account to purchase lands as they become available to provide greater boating opportunities.	Restricted	0	1,330,000
<b>37. <i>Waterways – DeTour Harbor Facility Improvements and Floating Dock Replacement</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$4,000,000</b>
Provides federal funds to finance 75% of state-owned facility upgrade.	Federal	0	3,000,000
	Restricted	0	1,000,000
<b>38. <i>Waterways – Mitchell State Park Seawall and Walkway Improvements</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$303,000</b>
Funds replacing seawall connecting lakes Cadillac and Mitchell and constructing an adjacent walkway.	Restricted	0	303,000
<b>39. <i>Waterways – Mackinaw City New Marina</i></b>	<b>Gross</b>	<b>\$5,735,000</b>	<b>(\$5,470,000)</b>
Reflects remaining \$265,000 FY 2006-07 appropriation estimate for final phase funding to complete \$10.6 million project.	Restricted	5,735,000	(5,470,000)
<b>40. <i>Waterways – Walloon Lake New Boating Access Site</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$510,000</b>
Provides funds for engineering and construction of a new state-owned launch site in Charlevoix County.	Restricted	0	510,000
<b>41. <i>Waterways – Leland Marina Rehabilitation Grant-in-Aid</i></b>	<b>Gross</b>	<b>\$1,750,000</b>	<b>(\$875,000)</b>
Reflects FY 2006-07 appropriation to be used to increase state share of project cost from 50% to 75%.	Restricted	1,750,000	(875,000)
<b>42. <i>Boating Access Sites – Grants-in-Aid</i></b>	<b>Gross</b>	<b>\$0</b>	<b>\$617,000</b>
Provides match funds to Tuscarora Township (\$332,500), Ludington (\$171,000), and Frankfort (\$113,500) for boating access site projects.	Restricted	0	617,000
<b>43. <i>Forest Roads – Bridges and Facility Maintenance</i></b>	<b>Gross</b>	<b>\$900,000</b>	<b>\$500,000</b>
Reflects increased/on-going funding, mostly from Forest Development Fund, to address outstanding maintenance issues.	Restricted	900,000	500,000
<b>44. <i>Waterways – Completed Project Financing</i></b>	<b>Gross</b>	<b>\$14,085,200</b>	<b>(\$14,085,200)</b>
Reflects reductions for completed projects or projects that do not need additional financing.	Federal	4,382,600	(4,382,600)
	Restricted	9,702,600	(9,702,600)
<b>DEPARTMENT OF MILITARY AND VETERANS AFFAIRS</b>			
<b>45. <i>Camp Grayling</i></b>	<b>Gross</b>	<b>\$18,500,000</b>	<b>(\$18,500,000)</b>
Appropriates funds to complete construction of a multiple company headquarters building.	Federal	18,500,000	(18,500,000)

**CAPITAL OUTLAY**

**Major Budget Changes from FY 2005-06 YTD**

		<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>46. Land Acquisitions and Appraisals</b>	<b>Gross</b>	<b>\$200,000</b>	<b>(\$200,000)</b>
Eliminates one-time FY 2005-06 appropriation.	Restricted	200,000	(200,000)

**Major Boilerplate Changes from FY 2005-06**

**DEPARTMENT OF CORRECTIONS**

***Sec. 401. Watchtowers at Maximum Correctional Facilities – DELETED***

Requires that new maximum security prisons have manned and operational watchtowers.

***Sec. 402. Prison Facility Locations – DELETED***

Requires Joint Capital Outlay Subcommittee approval of the actual site of a correctional facility if not specified in an appropriations act.

**USE AND FINANCE STATEMENTS**

***Sec. 501. Use and Finance Statements Submitted by Colleges and Universities – REVISED***

Stipulates (in subsection 3) that an institution found in violation of Use and Finance filing and approval requirements could not receive any state capital outlay funds for two years, and further that they could not do a self-funded project for one year unless there are health and safety concerns; Executive removes the penalties.

**LUMP SUMS AND SPECIAL MAINTENANCE**

***Sec. 603. Operating Funds for Capital Outlay Purposes – REVISED***

Allows a state agency to expend up \$600,000 from operating appropriations for special maintenance, remodeling, additions, or other capital outlay purposes; Executive increases the amount to \$1.0 million.

***Sec. 604. Re-Appropriation of Special Maintenance Funds – NEW***

Re-appropriates any remaining FY 2001-02 GF/GP appropriations of \$1.3 million for Major Special Maintenance from the departments of Community Health, Human Services, Management and Budget, Military and Veterans Affairs, and State Police to the Department of Corrections.

**DEPARTMENT OF NATURAL RESOURCES**

***Sec. 903. Transfer of Funds From Harbor Development Fund to the Waterways Fund – NEW***

Transfers all of the remaining unreserved balance from the Harbor Development Fund to the Waterways Fund.

***Sec. 1104. Prohibits the Construction of a Boating Access Site – DELETED***

Prohibits expending funds to construct a new public boating access site on Walloon Lake in Charlevoix County and directs the Department to work with local officials and the public to improve at least one existing boating access site.

**DEPARTMENT OF TRANSPORTATION**

***Sec. 1204. Willow Run Airport Expansion, Prohibit – DELETED***

Stipulates that Airport Program appropriations cannot be expended to extend runways, taxiways, or aprons at the Willow Run Airport.

**MISCELLANEOUS**

***Sec. 1303. Prohibit Triangle Property Lease – DELETED***

Prohibits expenditure of funds on development or lease of the "Triangle Property" in the City of Lansing without subsequent JCOS approval of a new lease agreement.

**Summary: Executive Budget Recommendation  
HISTORY, ARTS, AND LIBRARIES  
FY 2006-07**

**Analyst: Al Valenzio**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$649,700	\$79,000	(\$570,700)	(87.8)
<b>Federal</b>	8,218,300	8,450,900	232,600	2.8
<b>Local</b>	0	0	0	0.0
<b>Private</b>	577,400	577,400	0	0.0
<b>Restricted</b>	2,583,600	2,781,200	197,600	7.6
<b>GF/GP</b>	41,190,100	42,800,200	1,610,100	3.9
<b>Gross</b>	<b>\$53,219,100</b>	<b>\$54,688,700</b>	<b>\$1,469,600</b>	<b>2.8</b>
<b>FTEs</b>	232.0	232.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The Department of History, Arts, and Libraries administers programs in four major areas: arts and cultural affairs, which includes administration of Michigan’s Arts and Cultural Grants program; Mackinac Island State Park Commission, which oversees operational activities at the Mackinac Island State Park, the Michilimackinac State Park, and the Mill Creek State Park; historical program, which includes historical museum system, historical publications, archaeological, and lighthouse preservation activities; and library services, providing reference services to the public and Legislative, Executive, and Judicial branches of state government, as well as assisting public libraries statewide.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. State Aid to Libraries</b>	<b>Gross</b>	<b>\$7,177,300</b>	<b>\$315,900</b>
Restores partial grant funding to libraries; represents 4.4% increase; State Aid to Cooperative Libraries is held harmless at current-year level (\$4.6 million).	GF/GP	\$7,177,300	\$315,900
<b>2. Mackinac Island State Park Operation</b>	FTEs	24.3	0.0
Shifts funding from the general fund to the Mackinac Island State Park Operations Fund.	<b>Gross</b>	<b>\$1,446,000</b>	<b>\$0</b>
	Restricted	150,000	200,000
	GF/GP	\$1,296,000	(\$200,000)
<b>3. Arts and Cultural Grants</b>	<b>Gross</b>	<b>\$9,828,400</b>	<b>\$315,900</b>
Restores partial grant funding; represents 3.5% increase.	Federal	700,000	0
	GF/GP	\$9,128,400	\$315,900
<b>4. Office of Film and Television Services</b>	FTEs	1.0	(1.0)
Eliminates GF/GP for this office; funds would be provided through tobacco securitization; 1.0 FTE transferred to Management Services line.	<b>Gross</b>	<b>\$174,700</b>	<b>(\$174,700)</b>
	GF/GP	\$174,700	(\$174,700)
<b>5. Information Technology – Base Adjustment</b>	<b>Gross</b>	<b>\$790,700</b>	<b>\$120,100</b>
Reflects overstated contract reductions built into FY 2005-06 budget.	IDG	3,800	0
	Restricted	49,200	0
	GF/GP	\$737,700	\$120,100
<b>6. Building Occupancy Charges – Base Adjustments</b>	<b>Gross</b>	<b>\$2,746,100</b>	<b>\$180,900</b>
Adjusts for utility costs that have not increased since FY 2001-02.	GF/GP	\$2,746,100	\$180,900

**HISTORY, ARTS, AND LIBRARIES**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>7. Human Resources Optimization</b>	<b>Gross</b>	<b>\$29,500</b>
Reflects reduced charges.	GF/GP	(\$13,400)
	IDG	(\$13,400)
<b>8. Historical Facilities System</b>	<b>Gross</b>	<b>\$2,192,900</b>
Eliminates IDG from MDOT.	IDG	(\$500,000)
	Restricted	0
	GF/GP	\$0
<b>9. Historical Facilities System</b>	<b>Gross</b>	<b>\$2,192,900</b>
Anticipates the award of federal funds.	IDG	0
	Federal	200,000
	Restricted	0
	GF/GP	\$0
<b>10. Historical Administration and Services</b>	<b>Gross</b>	<b>\$5,012,500</b>
Shifts funding from restricted funds to GF/GP based on Statewide Cost Allocation Plan charges.	IDG	(74,600)
	Restricted	(43,800)
	GF/GP	\$118,400
<b>11. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>
Provides adjustments for salaries and wages, insurances, workers compensation, and retirement and FICA.	IDG	3,900
	Federal	32,600
	Restricted	41,400
	GF/GP	\$947,000

**Major Boilerplate Changes from FY 2005-06**

**Sec. 211. Affirmative Action Programs – DELETED**

Requires Department to establish and maintain affirmative action programs based on guidelines developed by the state equal opportunity workforce planning council.

**Sec. 218. Contingency Appropriations – NEW**

Appropriates additional federal funds (\$2.0 million), state restricted funds (\$1.0 million), local funds (\$100,000), and private funds (\$750,000); expenditures could not occur until Legislative transfers to appropriate line items are approved.

**Sec. 220. Michigan Film Advisory Commission – DELETED**

Requires minutes of commission meetings to be publicly posted within eight days of each meeting.

**Sec. 403. Arts and Cultural Grants Limitations – REVISED**

Limits amount appropriated for Art and Cultural Grants; no one organization can receive more than 17% of this funding. States legislative intent to reduce this percentage to 16% in FY 2006-07 and 15% in FY 2007-08; Executive eliminates the FY 2006-07 and 2007-08 intent provisions.

**Sec. 506. Sale of State Historical Museum Artifacts, Reporting – REVISED**

Allows proceeds from sale of unsuitable artifacts to be used to purchase additional material for the collection; this revenue is automatically appropriated for expenditure; Department is to notify ranking subcommittee members one week prior to any auctions or sales; Executive eliminates the reporting requirement.

**Sec. 610. State Aid to Cooperative Libraries – DELETED**

Provides formula for distribution of funds appropriated in Part 1 consistent with statutory provisions.

**Summary: Executive Budget Recommendation  
JUDICIARY  
FY 2006-07**

**Analyst: Marilyn Peterson**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$2,563,500	\$2,563,500	\$0	0.0
<b>Federal</b>	3,926,400	3,926,400	0	0.0
<b>Local</b>	3,419,100	3,612,400	193,300	5.7
<b>Private</b>	842,500	842,500	0	0.0
<b>Restricted</b>	87,015,900	87,178,500	162,600	0.2
<b>GF/GP</b>	157,614,500	160,125,400	2,510,900	1.6
<b>Gross</b>	<b>\$255,381,900</b>	<b>\$258,248,700</b>	<b>\$2,866,800</b>	<b>1.1</b>
<b>FTEs</b>	509.0	509.0	0.0	0.0

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

Article VI of the State Constitution of 1963 is the basis for Michigan’s judicial branch of government. The Judiciary budget includes operational funding for the Michigan Supreme Court, Court of Appeals, and related judicial agencies. The budget also funds the salaries of justices of the Supreme Court and judges at the appeals, circuit, probate, and district levels according to constitutional and statutory requirements. Assistance for local court operations is provided through a variety of grant programs. The largest of these, the Court Equity grant program, reimburses counties for trial court operations based on a statutory formula that recognizes circuit and probate caseloads and the numbers of judgeships.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Judgeship Changes</b>	<b>Gross</b>	<b>N/A</b>	<b>\$599,400</b>
Funds recently-enacted changes affecting part-time probate judges. Seven part-time probate judges will convert from part-time to full-time on January 1, 2007. Executive adds \$599,400 for the nine-month cost of this conversion.	GF/GP	N/A	\$599,400
<b>2. Court of Appeals – Fee Revenue</b>	<b>Gross</b>	<b>\$18,653,000</b>	<b>\$150,000</b>
Adds \$150,000 to recognize increased collections of existing filing and motion fees for the Court of Appeals.	Restricted	1,886,300	150,000
	GF/GP	\$16,766,700	\$0
<b>3. Rent Increases</b>	<b>Gross</b>	<b>N/A</b>	<b>\$53,300</b>
Accommodates increased costs of leases and out-state judicial offices.	GF/GP	N/A	\$53,300
<b>4. Unspecified Program Reductions</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$500,000)</b>
Incorporates \$500,000 in reductions, distributed across various line items according to the amount of GF/GP funding.	GF/GP	N/A	(\$500,000)
<b>5. Judicial Defined Contribution and FICA Costs</b>	<b>Gross</b>	<b>N/A</b>	<b>\$360,800</b>
Includes increase for judges' FICA and defined contribution retirement costs. Due to constitutional/statutory obligation to fund judgeships, this funding is recommended separately from other economic increases.	GF/GP	N/A	\$360,800

**JUDICIARY**

**Major Budget Changes from FY 2005-06 YTD**

**FY 2005-06 YTD**      **Executive Change**

**6. Economics**

**Gross**

**N/A \$2,203,300**

Includes economic increases for:

Local

N/A 193,300

- Salaries and wages (\$1.1 million gross, \$1.0 million GF/GP), funded at 3.5% increase

Restricted

N/A 12,600

GF/GP

N/A \$1,997,400

- Insurances (\$378,200 gross, \$358,600 GF/GP)

- Retirement (\$618,800 gross, \$586,600 GF/GP)

- Building occupancy charges (\$146,000 gross, \$46,800 GF/GP)

Includes no economic increase for workers' compensation.

**Major Boilerplate Changes from FY 2005-06**

***Sec. 204. Contact With Legislature – DELETED***

Forbids disciplinary action against any judicial branch employee for communicating with legislator or legislative staff.

***Sec. 307. Court of Appeals Delay Reduction – DELETED***

Expresses legislative intent that revenue from recent increases in Court of Appeals filing and motion fees be used for delay reduction efforts.

***Sec. 317. Transcript Fees – DELETED***

Provides for expenditure of a transcript fee fund to reimburse counties for additional costs should statutory limits on transcript fees be increased and associated sources of funding found.

**Summary: Executive Budget Recommendation  
TRANSPORTATION  
FY 2006-07**

**Analyst: William E. Hamilton**

	FY 2005-06 Year-to-Date	FY 2006-07 Executive	Difference: Executive to FY 2005-06 YTD	
			Amount	%
<b>IDG/IDT</b>	\$0	\$0	\$0	0.0
<b>Federal</b>	1,197,594,100	1,169,386,000	(28,208,100)	(2.4)
<b>Local</b>	6,100,000	47,500,000	41,400,000	678.7
<b>Private</b>	0	0	0	0.0
<b>Restricted</b>	2,184,113,400	2,225,499,100	41,385,700	1.9
<b>GF/GP</b>	0	0	0	0.0
<b>Gross</b>	<b>\$3,387,807,500</b>	<b>\$3,442,385,100</b>	<b>\$54,577,600</b>	<b>1.6</b>
<b>FTEs</b>	3,028.3	3,036.3	8.0	0.3

*Note: FY 2005-06 figures include the results of supplementals and Executive Order (EO) actions through January 30, 2006.*

**Overview**

The transportation budget supports state and local highway programs, public transportation programs, aeronautics programs, and administration of the Michigan Department of Transportation. Approximately 2/3 of the budget is from constitutionally-restricted state revenue sources—primarily from motor fuel taxes and vehicle registrations credited to the Michigan Transportation Fund (MTF). MTF revenue is distributed to other state transportation funds and programs, and to local road agencies, in accordance with 1951 PA 51 (Act 51). Approximately 1/3 of the budget is federal revenue. There is no state GF/GP revenue in this budget.

**Major Budget Changes from FY 2005-06 YTD**

		<b>FY 2005-06 YTD</b>	<b>Executive Change</b>
<b>1. Debt Service</b>		<b>Gross \$240,743,500</b>	<b>(\$33,123,500)</b>
Reflects reduction in debt service through refinancing of GARVEE notes.	Federal	103,200,000	(48,200,000)
	Restricted	137,543,500	15,076,500
<b>2. Interdepartmental Grants to Other State Departments</b>		<b>Gross \$44,635,700</b>	<b>\$1,576,500</b>
Includes \$20.0 million MTF to Department of State and \$8.8 million to Department of Treasury for costs of collecting MTF revenue; increases reflect economics.	Restricted	44,635,700	1,576,500
<b>3. Economic Development and Enhancement Programs – Business Support</b>	FTEs	9.0	0.0
Reflects \$36,700 economic reduction; adds \$181,800 state restricted to offset federal funds; Executive has requested \$181,800 increase in current-year supplemental.	<b>Gross</b>	<b>\$985,900</b>	<b>\$145,400</b>
	Restricted	985,900	145,100
<b>4. Information Technology</b>		<b>Gross \$25,000,000</b>	<b>\$2,876,500</b>
Adds \$891,800 federal for IT projects; restores \$1.6 million not appropriated in current-year budget; Executive has requested \$2.0 million increase in current-year supplemental.	Federal	555,100	891,800
	Restricted	24,444,900	1,984,700
<b>5. Engineering Services</b>	FTEs	803.2	(1.0)
Includes \$4.0 million federal for new federally-mandated program Safe routes to schools, established in SAFETEA-LU; federal share is 100%; no state or local match required. Includes program coordinator FTE position; net reduction of 1.0 FTE in the line due to program transfers.	<b>Gross</b>	<b>\$50,831,100</b>	<b>\$4,706,800</b>
	Federal	6,968,000	4,050,000
	Restricted	43,863,100	656,800

**TRANSPORTATION**

<b><u>Major Budget Changes from FY 2005-06 YTD</u></b>	<b><u>FY 2005-06 YTD</u></b>	<b><u>Executive Change</u></b>
<b>6. State Trunkline Maintenance</b>	FTEs 815.6	10.0
Provides 5.8% increase reflecting state trunkline lane miles added by new construction and jurisdictional transfers, economic increases, and increased road maintenance material costs. Funded in State trunkline operations (\$129.3 million) and Contract operations (\$145.8 million) lines; amounts reflect increases of \$6.4 and \$8.7 million respectively.	<b>Gross \$260,067,900</b>	<b>\$15,067,000</b>
	Restricted 260,067,900	15,097,000
<b>7. State Trunkline Road and Bridge Construction</b>	<b>Gross \$973,699,600</b>	<b>\$14,364,600</b>
Appropriates \$988.1 million; \$14.4 million increase from current year reflects, in part, restoration of funds vetoed from current-year budget (vetoes reduced current-year baseline), and inclusion of \$25.0 million additional local revenue as a fund source (technical adjustment). Executive has requested a supplemental appropriation to restore \$20.9 million in vetoed spending authorization in the current year.	Federal 745,579,000	8,957,100
	Local 5,000,000	25,000,000
	Restricted 223,120,600	(19,592,500)
<b>8. MTF Distribution to Local Road Agencies</b>	<b>Gross \$1,004,453,100</b>	<b>\$7,090,400</b>
Appropriates \$1.0 billion (\$649.4 million to county road commissions and \$362.1 million to cities and villages) based on MTF revenue estimates and Act 51 formula; actual distribution will be based on actual MTF revenue.	Restricted 1,004,453,100	7,090,400
<b>9. Transportation Economic Development</b>	<b>Gross \$41,009,800</b>	<b>\$717,000</b>
Authorizes \$41.0 million reflecting statutory distribution. The Executive has requested \$1.0 million increase in current-year supplemental.	Restricted 41,009,800	717,000
<b>10. Aeronautics Programs</b>	FTEs 56.0	0.0
Reflects program reductions of \$709,800 to Aeronautics services, and \$300,000 to Air service program due to anticipated reduction in State Aeronautics Fund revenue.	<b>Gross \$8,486,500</b>	<b>(\$793,000)</b>
	Restricted 8,486,500	(793,000)
<b>11. Public Transportation and Freight Services</b>	FTEs 66.0	8.0
Restores program reductions made in current-year budget. Executive has requested \$895,000 increase in current-year supplemental.	<b>Gross \$6,818,700</b>	<b>\$1,671,300</b>
	Federal 0	787,800
	Restricted 6,818,700	883,500
<b>12. Bus Transit – Local Bus Operating Assistance</b>	<b>Gross \$163,276,100</b>	<b>\$3,347,900</b>
Includes \$166.6 million for state operating assistance to local public transit agencies.	Restricted 163,276,100	3,347,900
<b>13. Rail Passenger Service</b>	<b>Gross \$8,200,000</b>	<b>\$0</b>
Maintains current-year funding level; boilerplate would limit Port Huron/Chicago and Grand Rapids/Chicago subsidy to \$7.1 million. Executive supplemental request includes change in current-year boilerplate to increase subsidy limit from \$6.1 million to \$7.1 million.	Federal 1,000,000	0
	Restricted 7,200,000	0
<b>14. Bus Capital</b>	<b>Gross \$46,852,200</b>	<b>\$17,874,300</b>
Provides match for Federal Transit Administration grants to local transit agencies; assumes \$10.9 million additional CTF from end of three-year redirection of auto-related sales tax to general fund; assumes \$7.0 million additional local funds to match federal aid projects.	Federal 30,000,000	0
	Local 500,000	7,000,000
	Restricted 16,352,200	10,874,300
<b>15. Economics</b>	<b>Gross N/A</b>	<b>\$9,096,300</b>
Provides \$5.7 million for negotiated salary and wage increases, \$2.9 million for computed retirement and insurance contributions; \$927,300 for building occupancy charges; partially offset by \$104,000 reduction in budgeted workers compensation; reflects economic adjustments related to Interdepartmental Grants (\$1.6 million) and Information Technology (\$416,100).	Restricted N/A	9,096,300

**Major Boilerplate Changes from FY 2005-06**

***Boilerplate Not Included***

Executive does not include the following boilerplate sections: 207, 211, 261, 303, 314, 319, 324, 353, 357, 361, 365, 370, 376, 379, 380, 381, 383, 381, 385, 387, 603, 607, 608, 610, 611.612, 628, 639, 640, 654, 703, 705, 707(2), 707(3), 708, 710, 714, 719, 722, 729, 730, 731, 732, 734, 736, 737, 739.

***Sec. 206. Contingency Appropriation Lines – NEW***

Provides \$100.0 million federal contingency funds, \$40.0 million state restricted contingency funds, \$10.0 million local contingency funds, and \$1.0 million private contingency funds. These funds could be transferred to increase spending authority in an already existing line item by action of the House and Senate appropriations committees.

***Sec. 258. Information Technology Projects – NEW***

Provides work project carry-forward authority for information technology projects in accordance with Management and Budget Act.

***Sec. 711. Rail Passenger (AMTRAK) – REVISED***

Directs Department to negotiate with rail carrier to provide seven-day Port Huron/Chicago and Grand Rapids/Chicago service; limits state subsidy to \$7.1 million, \$1.0 million more than current-year. Executive supplemental request includes change in current-year boilerplate language increase to subsidy limit from \$6.1 million to \$7.1 million.



**FY 2006-07**

**CONSENSUS REVENUE**

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## **Consensus Revenue: FY 2006-07**

**Senior Economist: Rebecca Ross**

This section explains January 2007 Consensus Revenue Estimating Conference estimates for GF/GP and School Aid Fund (SAF) revenue for FYs 2005-06 and 2006-07 by major revenue sources.

### **General Fund/General Purpose Revenue by Source**

#### ***Personal Income Tax***

- Wage and salary employment is expected to decrease 0.6% in 2006, then remain flat in 2007.
- Michigan's unemployment rate is expected to be 7.1% in both 2006 and 2007.
- Michigan personal income tax revenue is forecast to increase 1.0% in FY 2005-06 and 2.5% in FY 2006-07.
- Baseline GF/GP income tax revenue is expected to increase 0.1% to \$4,144.3 million in FY 2005-06, and by 2.7% to \$4,255.0 million in FY 2006-07.

#### ***Sales and Use Taxes***

- Growth in wage and salary income will increase baseline GF/GP sales and use tax revenue from \$1,062.6 million in FY 2005-06 to \$1,110.6 million in FY 2006-07.

#### ***Single Business and Insurance Taxes***

- Business taxes (SBT plus insurance taxes) accrue to the General Fund.
- Net baseline business taxes were \$2,140.7 million in FY 2004-05 and will increase 2.1% to \$2,185.0 million in FY 2005-06, and 2.6% to \$2,242.0 million in FY 2006-07.
- Baseline Single Business Tax revenue alone was \$1,891.2 million in FY 2004-05; it is expected to increase 2.1% to \$1,930.0 million in FY 2005-06 and increase 2.4% to 1,976.0 million in FY 2006-07.

#### ***GF/GP Baseline Tax Revenue***

- Final GF/GP baseline tax revenue totaled \$7,897.3 million in FY 2004-05.
- General Fund/General Purpose baseline tax revenue is expected to increase in FY 2005-06 by 1.4% to \$8,004.7 million and in FY 2006-07 by 2.5% to \$8,201.5 million.

#### ***Total GF/GP Baseline Revenue***

- Total baseline GF/GP revenue includes baseline tax revenue and non-tax revenue. Non-tax revenue includes revenue from the liquor purchase revolving fund, federal aid, licenses and permits, and investment income and borrowing costs.
- Total GF/GP baseline revenue was \$8,163.4 million in FY 2004-05.
- General Fund/General Purpose baseline revenue is expected to increase by 1.0% to \$8,247.2 million in FY 2005-06 and by 2.3% to \$8,436.0 million in FY 2006-07.

#### ***Actual GF/GP Revenue***

- Actual GF/GP revenue represents revenue available for expenditure each year and includes adjustments to the baseline, such as tax changes and one-time federal revenue.
- Final total actual GF/GP revenue was \$8,298.9 million in FY 2004-05.
- Actual GF/GP revenue is expected to decline by 1.1% to \$8,207.8 million in FY 2005-06, then increase by \$169.4 million or 2.1% to \$8,377.2 million in FY 2006-07.

**School Aid Fund Revenue by Source*****Sales and Use Taxes***

- Combined sales and use tax revenue dedicated to the SAF equaled \$5,272.9 million in FY 2004-05 and is forecast to increase 2.8% to \$5,419.7 million in FY 2005-06 and 3.7% to \$5,620.9 million in FY 2006-07.
- Baseline sales tax revenue is forecast to increase 2.7% in FY 2005-06 and 3.7% in FY 2006-07.
- Baseline use tax revenue to the SAF is estimated to increase 3.9% in FY 2005-06 and 4.2% in FY 2006-07.

***Income Tax***

- Approximately 23.0% of gross income tax collections are dedicated to the SAF.
- Baseline dedicated income tax revenue is forecast to increase 2.9% to \$2,047.2 million in FY 2005-06 and 3.2% to \$2,113.5 million in FY 2006-07.

***Lottery/Casinos***

- Lottery revenue contributed \$667.6 million to the SAF in FY 2004-05.
- Baseline lottery revenue to the SAF is projected to increase 0.1% to \$668.2 million in FY 2005-06 and increase 0.8% in FY 2006-07.
- Casino revenue contributed \$97.6 million to the SAF in FY 2004-05, and is estimated to be \$100.0 million in FY 2005-06 and \$100.4 million in FY 2006-07.

***Tobacco Taxes***

- Approximately 40% of gross tobacco tax revenue is dedicated to the School Aid Fund.
- The School Aid Fund received \$472.7 million from tobacco taxes in FY 2004-05.
- The demand for tobacco products is expected to decline over the duration of the forecast.
- Total SAF tobacco tax revenue is expected to decrease to \$469.4 million in FY 2005-06 and \$460.0 million in FY 2006-07.

***State Education Tax/Real Estate Transfer Tax***

- All of the 6-mill state education tax (SET) and the real estate transfer tax (RET) is dedicated to the SAF.
- Revenue from the SET was \$1,916.7 million in FY 2004-05.
- SET revenue is expected to increase 4.7% to \$2,006.8 million in FY 2005-06 and 4.8% to \$2,104.0 million in FY 2006-07.
- The real estate transfer tax contributed \$313.5 million to the SAF in FY 2004-05 and is forecast to contribute \$310.0 million in FY 2005-06 and \$308.0 million in FY 2006-07.

***Total SAF Baseline Revenue***

- Final total SAF baseline revenue was \$10,914.7 million in FY 2004-05.
- Baseline revenue is expected to increase 2.7% to \$11,205.4 million in FY 2005-06 and 3.2% to \$11,567.5 million in FY 2006-07.

***Actual SAF Revenue***

- Actual SAF revenue represents revenue available for expenditure each year; it includes tax changes, beginning balances, federal funds, and BSF transfers, but does not include any GF/GP transfers to SAF.
- Actual SAF revenue was \$12,337.3 million in FY 2004-05 and is expected to increase 3.1% to \$12,717.2 million in FY 2005-06, then increase 3.2% to \$13,121.0 million in FY 2006-07.

**CONSENSUS REVENUE****GF/GP REVENUE ESTIMATES**  
(Millions of Dollars and Fiscal Years)

	<u>Final 2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2006-07 over 2005-06</u>	
				<u>% Change</u>	<u>\$ Change</u>
Personal Income Taxes	\$4,138.6	\$4,144.3	\$4,255.0	2.7%	\$110.7
Sales and Use Taxes	1,015.0	1,062.6	1,110.6	4.5%	48.0
SBT and Insurance Taxes	2,140.7	2,185.0	2,242.0	2.6%	57.0
Other Taxes	603.0	612.8	593.9	-3.1%	(18.9)
<b>GF/GP Baseline Tax Revenue</b>	<b>\$7,897.3</b>	<b>\$8,004.7</b>	<b>\$8,201.5</b>	<b>2.5%</b>	<b>\$196.8</b>
Non-Tax Revenue	266.1	242.5	234.5	-3.3%	(8.0)
<b>Total GF/GP Baseline Revenue</b>	<b>\$8,163.4</b>	<b>\$8,247.2</b>	<b>\$8,436.0</b>	<b>2.3%</b>	<b>\$188.8</b>
Adjustments to Baseline	135.5	(39.4)	(58.8)		<b>(\$19.4)</b>
<b>Actual GF/GP Revenue</b>	<b>\$8,298.9</b>	<b>\$8,207.8</b>	<b>\$8,377.2</b>	<b>2.1%</b>	<b>\$169.4</b>

**SCHOOL AID FUND REVENUE ESTIMATES**  
(Millions of Dollars and Fiscal Years)

<u>Revenues</u>	<u>Final 2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2006-07 over 2005-06</u>	
				<u>% Change</u>	<u>\$ Change</u>
Sales and Use Tax	\$5,272.9	\$5,419.7	\$5,620.9	3.7%	201.2
Income Tax Earmark	1,988.7	2,047.2	2,113.5	3.2%	66.3
Lottery and Casinos	765.2	768.2	773.6	0.7%	5.4
Tobacco Taxes	472.7	469.4	460.0	-2.0%	(9.4)
State Education Tax	1,916.7	2,006.8	2,104.0	4.8%	97.2
Real Estate Transfer Tax	313.5	310.0	308.0	-0.7%	(2.0)
Liquor Excise and Specific Taxes	184.9	184.1	187.6	1.9%	3.5
<b>Baseline SAF Revenue</b>	<b>\$10,914.7</b>	<b>\$11,205.4</b>	<b>\$11,567.5</b>	<b>3.2%</b>	<b>\$362.1</b>
Adjustments to Baseline	1,422.6	1,511.8	1,553.5		\$41.7
<b>Actual SAF Revenue (less GF/GP Transfer)</b>	<b>\$12,337.3</b>	<b>\$12,717.2</b>	<b>\$13,121.0</b>	<b>3.2%</b>	<b>\$403.8</b>

**HFA Estimates of Year-End Balances**

The following table reports House Fiscal Agency estimates of year-end balances for GF/GP, the SAF, and the BSF.

**YEAR-END BALANCE ESTIMATES**  
(Millions of Dollars)

	<u>FY 2004-05</u>	<u>FY 2005-06</u>
General Fund/General Purpose	\$220.5	\$113.0
School Aid Fund	74.1	117.2
Budget Stabilization Fund	81.3	2.0

**Notes:**

- Fiscal year 2005-06 estimates for GF/GP and the SAF are based on year-to-date appropriations, projected year-end adjustments, and consensus revenue estimates.
- School Aid Fund revenues are restricted; hence, any year-end balance is carried forward to the subsequent year.
- Budget Stabilization Fund (BSF) estimates are based on current balance estimates provided by the Michigan Department of Treasury and HFA estimates of future deposits and interest earned.

**Budget Stabilization Fund Year-End Balances**

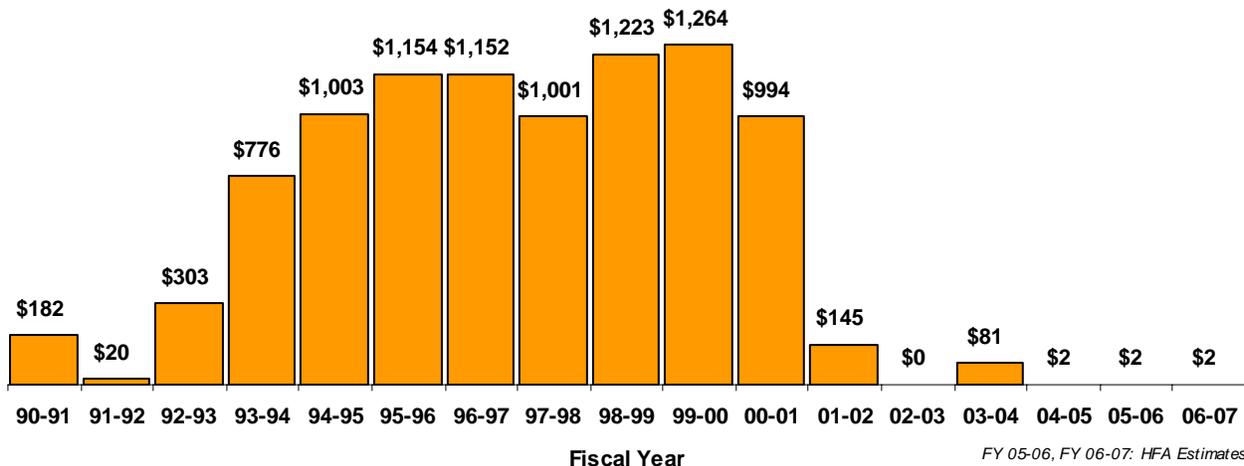
The following table reports a history of BSF deposits, withdrawals, and interest earnings from FY 1990-91 to FY 2004-05 and HFA estimates of deposits, expected interest earnings, and year-end balances for FY 2005-06 and FY 2006-07. A complete list of BSF historical data is available from the HFA upon request.

The final BSF fund balance was \$81.3 million for FY 2003-04 and \$2.0 million for FY 2004-05. The fund balance is forecast to be \$2.1 million for FY 2005-06 and \$2.2 million for FY 2006-07.

**BUDGET STABILIZATION FUND**  
(Millions of Dollars)

<u>Fiscal Year</u>	<u>Deposits</u>	<u>Withdrawals</u>	<u>Interest Earned</u>	<u>Balance</u>
1990-91	0.0	230.0	27.1	182.2
1991-92	0.0	170.1	8.1	20.1
1992-93	282.6	0.0	0.8	303.4
1993-94	460.2	0.0	11.9	775.5
1994-95	260.1	90.4	57.7	1,003.0
1995-96	91.3	0.0	59.3	1,153.6
1996-97	0.0	69.0	67.8	1,152.4
1997-98	0.0	212.0	60.1	1,000.5
1998-99	244.4	73.7	51.2	1,222.5
1999-2000	100.0	132.0	73.9	1,264.4
2000-01	0.0	337.0	66.7	994.2
2001-02	0.0	869.8	20.8	145.2
2002-03	0.0	156.1	10.9	0.0
2003-04	81.3	0.0	0.0	81.3
2004-05	0.0	79.3	0.0	2.0
2005-06 <i>Estimate</i>	0.0	0.0	0.1	2.1
2006-07 <i>Estimate</i>	0.0	0.0	0.1	2.2

**Budget Stabilization Fund (BSF) Balance**  
(Millions of Dollars)



**CONSENSUS REVENUE**

**Compliance with the State Revenue Limit**

HFA estimates of the state revenue limit provided for in Article IX, Section 26, *Constitution of the State of Michigan*, and estimates of total state revenue collections subject to the state revenue limit are shown in the following table. As provided for in the *Constitution*, the revenue limit is calculated as 9.49% of total state personal income in the previous full calendar year prior to the fiscal year in which the revenues are measured, as estimated by the Bureau of Economic Analysis, United States Department of Commerce.

**COMPLIANCE WITH THE STATE REVENUE LIMIT  
(Millions of Dollars)**

<u>Revenue Limit Calculations</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
Personal Income			
Calendar Year	CY 2003	CY 2004	CY 2005
Amount	\$314,460	\$324,134	\$335,155
X Limit Ratio	9.49%	9.49%	9.49%
<b>State Revenue Limit</b>	<b>\$29,842.2</b>	<b>\$30,760.3</b>	<b>\$31,806.2</b>
<b>Total Revenues Subject to Revenue Limit</b>	<b>24,949.8</b>	<b>25,294.5</b>	<b>25,987.5</b>
<b>Amount Under (Over) State Revenue Limit</b>	<b>\$4,892.4</b>	<b>\$5,465.8</b>	<b>\$5,818.7</b>

**Implications of Exceeding the State Revenue Limit**

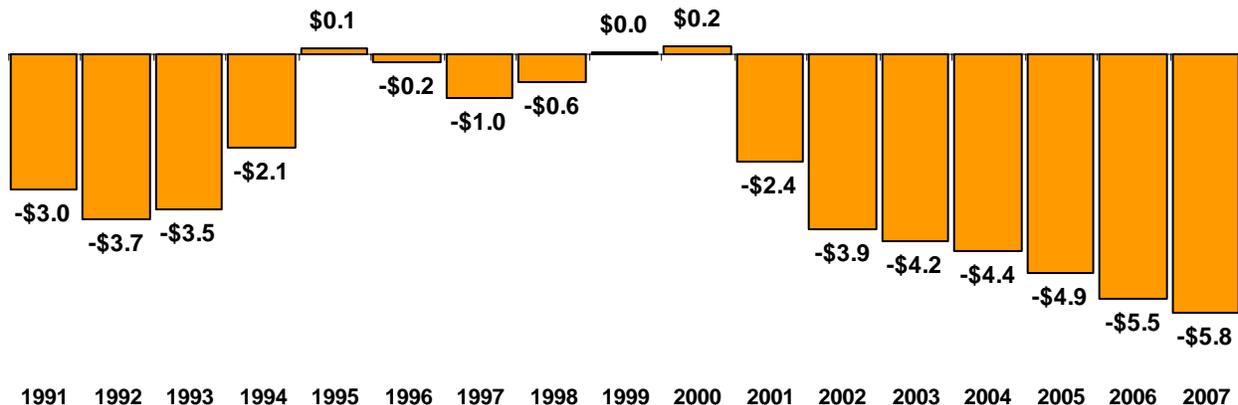
Article IX, Section 26, *Constitution of the State of Michigan*, provides that:

... For any fiscal year in the event that Total State Revenues exceed the limit established in this section by 1% or more, the excess revenues shall be refunded pro rata based on the liability reported on the Michigan income tax and single business tax (or its successor tax or taxes) annual returns filed following the close of such fiscal year. If the excess is less than 1%, this excess may be transferred to the State Budget Stabilization Fund . . .

Furthermore, the state is prohibited from spending any current-year revenue in excess of the limit established in Section 26 by Article IX, Section 28.

The final FY 2005-06 revenue limit calculation indicates that the state revenue collections were well under the revenue limit. In addition, for both FY 2005-06 and FY 2006-07, state revenues are estimated to be substantially below the revenue limit, by \$5.5 billion and \$5.8 billion respectively.

**Constitutional Revenue Limit  
(Billions of Dollars)**



FY 2006, FY 2007: HFA Estimates

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